

PEOPLE  
Kirkpatrick Said to  
Spend \$100 Book  
Kirkpatrick, the  
representative to the  
Nations, has signed a  
book deal with Simon & Schuster  
according to sources. They said the  
book would concentrate on his  
work as a publisher and his  
views on politics and her  
experiences in politics.

WEATHER DATA APPEAR ON PAGE 18

No. 31,801

# INTERNATIONAL Herald Tribune

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ZURICH, MONDAY, MAY 20, 1985

Algeria 1,450 Norway 7,000 Nkr.  
Angola 20 S. Italy 1,200 Lire Chf. 0.700 Nkr.  
Bahrain 0.650 Dr. Jordan 450 Pts. Portuguese 0.60 Esc.  
Belgium 0.50 F. Kenya 1,100 C. G. 0.600 Nkr.  
Bulgaria 0.50 L. Kuwait 300 Pts. Greece 0.600 Nkr.  
Cameroun 0.50 Cfa. Libya 0.500 Nkr.  
Ceylon 0.50 L. Lebanon 0.350 D. Spain 110 Pts.  
Chile 0.50 P. Mexico 0.500 Nkr.  
Egypt 1.00 P. Libya 1,000 S. Sweden 7,000 Nkr.  
Finland 7,000 F. Morocco 0.50 L. Switzerland 2,200 Sfr.  
France 0.50 F. Moldova 105 Pts. Turkey 0.500 Nkr.  
Germany 2.50 P. Netherlands 0.50 Dr. U.S.A. 0.50 Cdn.  
Great Britain 0.50 P. Monaco 0.50 Dr. U.S.A. 0.50 Cdn.  
Greece 0.50 Dr. Netherlands 0.25 P. U.S.A. 0.50 Cdn.  
Iraq 115 Dhs. Nigeria 170 N. Yugoslavia 200 D.

ESTABLISHED 1887



The Associated Press  
Colonel Muammar Qaddafi of Libya was greeted in Khartoum by General Abdal Rahman Swarreddah of Sudan.

## Qadhafi Pays Visit To Sudan

Depose Regimes Like Nimeiri's, He Urges Arabs

The Associated Press

KHARTOUM, Sudan — Libya's leader, Colonel Muammar Qaddafi, in a brief visit to Khartoum, has called on other Arab armies to follow Sudan's example and overthrow reactionary regimes.

Colonel Qaddafi spent four hours in the Sudanese capital on Saturday. The visit was the strongest indication yet of a rapprochement between the north African neighbors, which began shortly after Gaafar Nimeiri was deposed as Sudan's president on April 6.

The Libyan leader had long sought to overthrow General Nimeiri, who was a key U.S. ally in Africa. Libya and Sudan restored relations last month after a four-year break.

Colonel Qaddafi's visit was the third involving high-ranking dignitaries of the Libya and Sudan since the coup. The colonel also was the first foreign leader to visit Sudan since General Nimeiri was overthrown.

After his visit, Colonel Qaddafi flew on to Jeddah, where he had talks with King Fahd of Saudi Arabia, before leaving Sunday.

The welcoming delegation for Colonel Qaddafi at Khartoum Airport was headed by General Abdal Rahman Swarreddah, who led the coup and now is chairman of the ruling Transitional Military Council. The Libyan and Sudanese leaders held talks in an airport lounge.

Colonel Qaddafi said he had come to congratulate the Sudanese people and army "for the popular revolution that ended General Nimeiri's reactionary regime."

He said that the Sudanese military had "given the example of how any political party can stand with only four months to go before a national election."

## Sweden's Ruling Party Struggles as Vote Nears

By Barnaby J. Feder  
New York Times Service  
STOCKHOLM — For Sweden's governing Social Democrats, last week was about as bad a week as any political party can stand with only four months to go before a national election.

A pay dispute with the largest white-collar civil service union became deadlocked, forcing the government to lock out more than 50,000 union members, including thousands of teachers. Many state-run services, including all of Sweden's airports, have been indefinitely shut down.

On top of that, Swedish consumers have had so much money, a lot of it on credit, and have been spending it so freely on imports that the government raised interest rates sharply to halt a rapid deterioration of the balance of payments.

More and more Swedes are skeptical about the Social Democrats' explanations for these and other problems.

(Continued on Page 2, Col. 1)

NEWS ANALYSIS

gained support, and the Social Democrats and their Communist partners in government are clearly on the defensive.

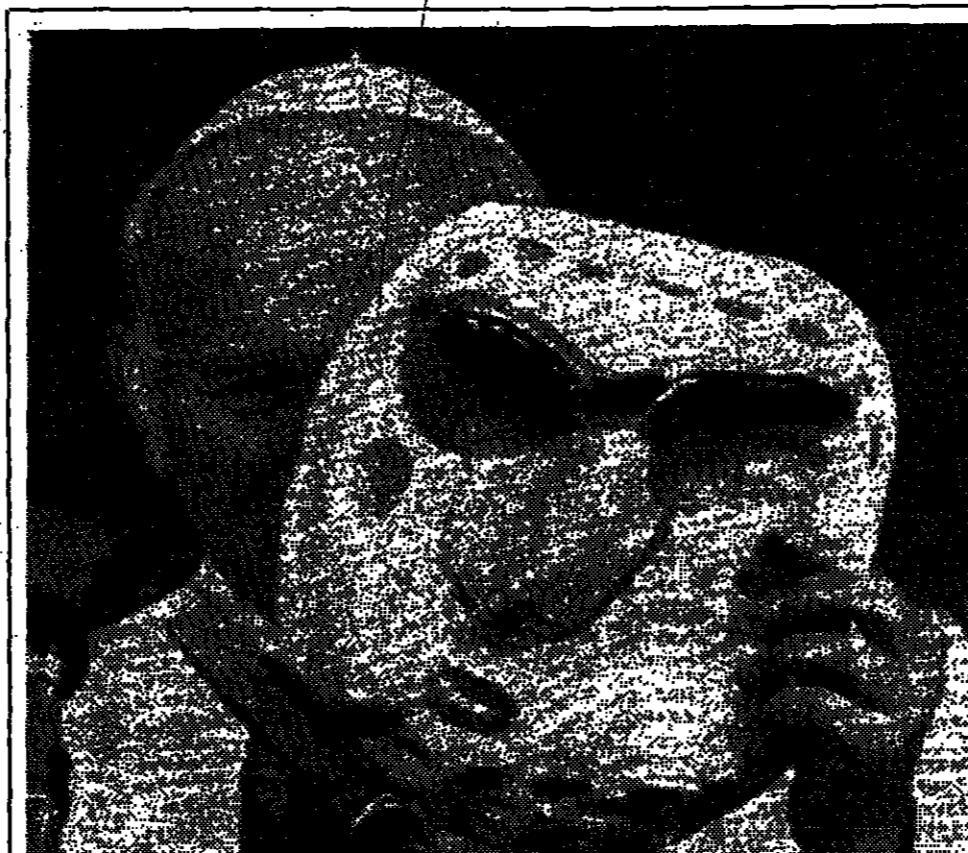
The biggest gainer, especially among young voters, has been the Moderate Party, the most conservative of the non-Socialist parties.

Much of its appeal is based on a pledge to lower taxes, which are the highest in the industrial world.

But the promise by Moderate leaders to open up some government services, such as day care and medical care, to private competition also has wide appeal among Swedes, who increasingly resent

the Social Democrats' explanations for these and other problems.

(Continued on Page 2, Col. 1)



PAPAL MASK — Pope John Paul II peeked from behind a mask presented to him on his Belgian tour. On Sunday, he assailed racism, totalitarian regimes and profit-dominated economic systems, and said that the Roman Catholic Church's teachings on sex and marriage would not be changed to suit "contemporary states of mind." Page 2.

## Costa Rican Neutrality: Arrival of U.S. Advisers Spurs Debate

By Joel Brinkley  
New York Times Service

SAN JOSE, Costa Rica — The arrival here this month of U.S. military advisers to train the Costa Rican civil police has added to a growing debate about whether the United States is urging Costa Rica to militarize against its will.

Costa Rica has no army, and President Luis Alberto Monge has proclaimed that his country will maintain "perpetual unarmed neutrality."

The administration's ability to move on trade is hampered by congressional constraints. Many barriers are embedded in legislation; among them are a ban on imports dating from the Korean War and denial of most-favored-nation trade privileges, which provide for a generalized lowering of tariffs.

Many analysts say that dramatic Soviet gestures on human rights will be needed if Congress is to become receptive to relaxing the curbs. For example, Moscow might release the imprisoned computer scientist, Anatoli B. Stepanov, or permit Yelena G. Bonner, the wife of Andrei D. Sakharov, the

had had serious misgivings about inviting the U.S. advisers.

The minister of public security, Benjamin Piza Carranza, requested that they be sent, the official said.

Although Mr. Monge was unhappy with the request, the official said, he did not rescind it out of fear of straining American good will.

The official added: "The U.S. is supporting the Costa Rican economy."

In Nicaragua, Julio Ramos Arriello, the chief of intelligence for the Nicaraguan Army, said last week that he believed that the U.S. advisers were setting up a base that could be used if the United States invaded Nicaragua. Both U.S. and Costa Rican officials have denied the assertion.

A senior Costa Rican government official said that Mr. Monge

had invited the U.S. advisers to help direct pressure, he and others said it was clear that the United States wanted Costa Rica to take a more militant stand toward Nicaragua.

A senior Costa Rican security official said there was a widespread perception in the country that the United States was pressuring Costa Rica to militarize, although the vast majority of Costa Ricans opposed this idea.

A senior U.S. Embassy official, however, said: "That is not a valid perception. Every single part of our assistance to Costa Rica is the result of a letter in which they asked for these things."

"Costa Rica will not be militarized," he added.

Starting in 1981, the country began accepting low-level U.S. military aid, including about \$10 mil-

lion this year. In 1981, most of the Civil and Rural Guard forces were equipped with vintage bolt-action, single-shot rifles and not much else. The two forces have a combined strength of about 7,000 men.

The United States began providing new weapons and other equipment in 1982, and some guardsmen were trained at the U.S.-run School of the Americas in Panama.

However, the senior official said,

the government did not invite U.S. trainers to Costa Rica for fear that it would give the impression that Costa Rica, like Honduras and El Salvador, was militarizing with U.S. help despite its neutrality vow.

The controversy sharpened earlier this month when Edward P. Djerejian, a State Department spokesman, announced in Wash-

(Continued on Page 2, Col. 4)

## Christian Militia To Pull Out of South Lebanon

By Nora Boustany  
Washington Post Service

BEIRUT — The new leader of Lebanon's main Christian militia has said that his forces will leave Jezzine, the last Christian enclave in southern Lebanon. At the request of Syria, he also ordered the closing of a Lebanon Christian liaison office in Israel.

The announcement Saturday represented a sharp reversal in the policy of the Christian militia and its leadership, in the view of observers, and a clear recognition on their part that Syria is replacing Israel as the dominant military power in Lebanon.

Elie Hobeika, head of the Lebanese Forces and leader of a group of dissident Christian commanders, said he would welcome deployment of Lebanese Army soldiers in Jezzine.

More than 60,000 Christian refugees have gathered there since late April, when Druze militiamen and their Moslem allies drove them from their homes in a push through the foothills of the Chouf mountains.

Mr. Hobeika replaced Samir Geagea as head of the Lebanese Forces on May 9, a month after Mr. Geagea, accusing the Lebanese government of being too closely allied to Syria, revolted against President Amin Gemayel. The appointment of Mr. Hobeika, who had been the militia's intelligence chief, was reportedly made at the insistence of Syria.

"In order to preserve the security of Jezzine and prevent a recurrence of what happened in the Sidon area, we welcome a quick deployment of the Lebanese Army," Mr. Hobeika said. "Orders have been given to our forces in Jezzine and the border strip, mostly logistics units, to return to their barracks in Beirut."

Mr. Hobeika's move also appeared to be a concession to Moslem demands and a show of good will.

Mr. Hobeika said instructions had been given for closing down the Lebanese Forces representative office in Israel, a move that effectively ends 10 years of close collaboration between the dominant Christian militia and Israel.

The office had been opened a year ago, with heavy publicity from Israel, but had been used largely as a propaganda arm of the Lebanese Christians. Israel used less-visible channels to communicate with the Christians, and apparently never considered the office a critical link.

Mr. Hobeika, through most of his military and political career, had been closely allied to Israel. But he announced a break upon replacing Mr. Geagea, saying "critical circumstances in the past decade had 'forced some of us to resort to certain regional powers hostile to our Arab environment.'

He said the reason had been "merely for self-defense" of the Christian community and that he now saw "the necessity of returning to our Arab environment."

An Israeli government commission accused Mr. Hobeika of leading the massacre in September 1982 of hundreds of Palestinians at the Sabra and Chatila refugee camps in Beirut, then under Israeli control.

Asked to explain Mr. Hobeika's shift toward Syria, Christian sources said he "will be pro-Israeli if it is good for the Christian community, and he will be pro-Syrian if it is more beneficial for the Christians."

[Anti-aircraft fire struck President Gemayel's private wing at the government palace in suburban Baabda early Sunday as Christian and Moslem militiamen dueled with artillery, rockets and mortars along Beirut's Green Line. The Associated Press said neither Mr. Gemayel nor any of his staff was injured.]

■ Prisoner Swap Expected

A Palestinian commando group will exchange three Israeli soldiers Monday for 1,150 Palestinians and Lebanese held by Israel. Palestinian sources said Sunday in Damascus, Reuters reported.

## INSIDE

■ The success of Sinn Fein in local elections in Ulster was poorly received in Dublin and London.

■ A congressional consensus has emerged in the debate over the U.S. deficit.

■ Hostilities on the border between Nicaragua and Honduras have increased in recent weeks, U.S. officials said.

■ SPECIAL REPORTS

■ Mitterrand's government prepares to defend its record: A special report on the French economy.

■ BUSINESS/FINANCE

Robert Leclerc, a Swiss banker, was found guilty of fraud.

Page 5.

## WORLD BRIEFS

## France to Step Up Air Show Security

PARIS (Reuters) — More than 2,000 police officers, along with explosives experts and bomb-sniffing dogs, have been called in to reinforce security at the Paris Air Show, which begins May 31 at Le Bourget airport, according to a senior police official.

The official, Francois d'Uet, director of the regional police force, said Saturday that the measures were taken after a series of attacks against West European installations of the North Atlantic Treaty Organization. Mr. d'Uet said that the measures would include video surveillance, metal detectors and dogs trained to sniff out explosives.

The U.S. Embassy in Paris has told the U.S. Commerce Department and several American companies planning exhibits at the show that it had received information about potential threats. Many of the American exhibitors supply equipment to the military and aerospace industries. About 1,100 companies from 33 countries will be represented at the show, which runs until June 9.

## Arms Smuggling Disputed in Salvador

SAN SALVADOR (AP) — An American tugboat and a barge intercepted by the Salvadoran Navy were carrying tallow for making soap, not weapons for Salvadoran rebels, according to a port official.

President Jose Napoleon Duarte, on a U.S. visit, said Friday in New York that the Salvadoran Navy had apparently seized a boat smuggling weapons from Nicaragua to the Salvadoran guerrillas, though he added that the report had not been confirmed.

The tugboat and a barge of unknown registry were intercepted Thursday and taken to the port of La Union. A port official there said Friday that the tugboat, registered in Houston, was transporting cotton. But after an inspection Saturday, he said the boats were carrying tallow.

In a communiqué issued Friday in Managua, the Sandinist government rejected the smuggling charges "categorically and energetically" as part of a "campaign of calumny."

## Apartheid Protesters Acquitted in U.S.

CHICAGO (NYT) — Eight persons accused of trespassing at the South African Consulate in Chicago have been acquitted after arguing in court that their action was justified in seeking to prevent "greater crimes" in South Africa.

The trial, which ended Friday, apparently was the first of defendants from among people arrested around the United States in the past six months for protesting South Africa's racial separation policies. Charges have been dropped in other cases.

Defense lawyers based their arguments on an Illinois statute that excuses criminal conduct if it can be expected to avoid a greater injury. "We have a right to 'act reasonably' to prevent the commission of greater crimes in South Africa," said Timothy Wright, a defense lawyer.

## U.S. Expected to Slow Refugee Intake

BANGKOK (UPI) — The United States will stop interviewing Cambodian refugees for resettlement in the United States next month, a Western diplomatic source said Sunday. Nongovernmental Western aid workers in Thailand said an end to interviewing would virtually halt the resettlement of Cambodians in the United States.

They said the United States appeared to be trying to reduce the number of Indochinese refugees it accepts. More than 375,000 have entered the country since 1975. The United States has already accepted more than 125,000 out of about 190,000 Cambodians who have been resettled in third countries since the Communist takeover in 1975.

The diplomatic source said the interviewing was expected to end in early June because most of those eligible for resettlement to the United States had already been interviewed. Thai officials have allowed Indochinese refugees to enter their country temporarily based on a pledge by Western nations that all of them would be resettled abroad.

## Guards Accused of Harassing Mandela

BRAFBORT, South Africa (WP) — Nelson Mandela, the imprisoned black nationalist leader, says that he is being victimized for his rejection of an offer of conditional release, according to his wife, Winnie Mandela. The Prisons Department has denied the allegation.

In a recent interview, Mrs. Mandela said he told her at Cape Town's Pollsmoor Prison that his conditions and those of four other leaders of the outlawed African National Congress had been "made very difficult" since they rejected the offer, made in February by President Pieter W. Botha. They had said they would accept no conditions until apartheid was abolished.

"Nelson told me that they were being continually harassed in an indirect way," Mrs. Mandela said in the interview, adding that she had been searched by prison guards before her visit for the first time in 23 years. Her daughter, Zinti, who visited soon afterward, was subjected to a body search, Mrs. Mandela said. The Prisons Department denied the allegations Saturday.

## For the Record

Nicaragua is moving its trade office for North America from Miami to Toronto, Canadian officials said Saturday. The Globe and Mail in Toronto quoted Casimiro Sotelo, the Nicaraguan ambassador, as saying the transfer was hastened by the U.S. trade embargo. (AP)

Radio Marti, the long-postponed U.S. project to broadcast to Cuba, is to go on the air Monday, according to Senator Paula Hawkins, Republican of Florida, and Lawton Chiles, Democrat of Florida. (AP)

Bombings in the United States killed six persons, injured 112 and caused \$5.6 million in property damage in 1984, the FBI said Saturday. It said there were 803 bombings in the year. (UPI)

A Soviet aircraft thought to have gone down off a sea near Sakhalin Island last week was probably a cargo plane, not an airliner, according to a Western defense official in Tokyo. (WP)

## Sweden's Ruling Party Struggles as Vote Nears

(Continued from Page 1) the bureaucracy that has grown up with the welfare state.

Perhaps the clearest indication of the shift, many say, is a new pro-business attitude that has made heroes of not just the captains of industry but also of small entrepreneurs.

"Leading executives with big business had prestige during the 1950s and 1960s because they contributed to the centralization of power in which the Social Democratic governments, labor unions and business cooperated," said Ulf Jakobsson, chief economist for the Swedish Employers' Confederation.

"That changed during the 1970s, but their comeback is not a surprise. The big change is the rise in respect for small-business. For 40 or 50 years, building your own business had been seen as little better than being a gangster."

Against these changes, the Social Democrats and Prime Minister Olof Palme have been trying to wrangle away at the high inflation rate and budget deficit while reinforcing the welfare state.

The election-year drive to convince Swedes that the country is on what the Social Democrats call

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## Pope Urges War Against Enslavement Of Mankind

The Associated Press

BRUSSELS — Pope John Paul II attacked racism, totalitarian regimes and profit-dominated economic systems Sunday, calling for a "war against whatever enslaves mankind."

The pontiff started his fourth day in Belgium with a warning to 100,000 people at an outdoor mass that the church's strict teachings on sex and marriage would not be changed to suit "contemporary states of mind."

The pope later went Our Lady of Laken Church and told several thousand Christian trade unionists, "a noble war should be waged for social justice."

He said Christians "wage an original war against whatever enslaves mankind."

He cited the need of solidarity among workers worldwide in the fight against injustice.

The pope has frequently called a job a basic human right and condemned discrimination based on sex, religion, race and national origin.

Speaking in Flemish, French and German, Belgium's three languages, the pontiff also urged this linguistically divided nation of 10 million to pursue peace within the country.

## ■ 65th Birthday

The pope celebrated his 65th birthday Saturday in Beauraing with talk of Christian unity and a stern warning to youth against the exploitation "of our weaknesses and our passions," The New York Times reported.

John Paul, who has been criticized by some Protestant leaders for slowing ecumenical dialogue, also called on the Christian churches to "practice a wider hospitality."

The pope made his address on relations between the Christian churches in Mechelen, the city where unity talks between Roman Catholic and Anglican church leaders were held between 1921 and 1925.

He repeated his belief that the cause of unity would not be served by "concealing discord" or through "superficial and precarious compromises" among the faiths.

(Continued from Page 1) said to be costing the Khartoum government \$1 million a day.

In Saudi Arabia, according to the state-run Libyan radio, Colonel Qaddafi led anti-U.S. chanting at Mecca after performing the pilgrimage rites Saturday night.

The radio broadcast, monitored in London, said that Colonel Qaddafi and the masses crowding the place outside the Kaaba, Islam's holiest shrine, shouted: "God is great. Victory for the Arab nation. Down with the United States, the enemy of Islam."

According to the broadcast, the hostile slogans also were directed against King Hussein of Jordan and President Hosni Mubarak of Egypt, who were both described as "enemies of God and agents of Zionism."

The official Saudi Press Agency reported Colonel Qaddafi's 18-hour visit but did not give details about the talks with King Fahd.

Arab diplomats, who asked not to be identified, said the talks had centered on support for the Sudanese leadership that overthrew General Nimeiri, ways to end the Iran-Iraq war and ways to heal Arab rifts, including the one between Colonel Qaddafi and the chairman of the Palestine Liberation Organization, Yasser Arafat.

The talks between Colonel Qaddafi and King Fahd were expected to strengthen ties between the two countries, which reached a low ebb in 1982.

## Bangladesh Takes Lead In Population Density

Reuters

DHAKA, Bangladesh — Bangladesh is the world's most densely populated country with nearly 101.5 million people living in 55,000 square miles, or 143,000 square kilometers, according to a research report published here.

The Washington-based Population Research Bureau also said that the population had increased by about 11 million over the last four years.

## Gandhi to Sign Pacts on Moscow Visit

(Continued from Page 1) dian-U.S. trade has increased from \$1.5 billion in 1977 to \$3 billion in 1982 and \$4 billion in 1983.

## ■ Gorbatchev Gives Interview

The official Soviet news agency Tass said Sunday that Mr. Gorbatchev, in his first interview with a foreign journalist since becoming the Soviet party chief, has accused the United States of scuttling efforts to make the Indian Ocean a "zone of peace." The Associated Press reported from Moscow.

The dispute involves a small sum about \$15 a month per worker, after taxes, but it has become a test of the government's will to fight for its inflation targets. The Social Democrats cannot make the concession to the civil servants without touching off new demands from other unions.

The dispute dispute and the financial crisis, which worsened when the strike began, have helped the opposition's argument that the Social Democratic program is one of crisis management that ducks the need to cut back on what many see as an unsustainable level of public spending.

"We have the highest living standard we have ever had," said Ulf Adelsjö, leader of the Moderate Party, in a recent newspaper interview, "but we have it on loan."



## Ulster Unionists Vow to Prevent Sinn Fein From Exploiting Success

By Jo Thomas  
New York Times Service

MAGHERAFELT, Northern Ireland — The success of Sinn Fein, the Irish Republican Army's political wing, in Northern Ireland's local government elections has been greeted with expressions of disappointment from Dublin and renewed assertions by British officials that they would not meet with its elected representatives.

Unionist politicians warned that they would do everything possible to deny the party the chance to exploit its success.

Sinn Fein, which entered local government elections across the province for the first time, won 59 seats and a voice in 17 of the 26 councils. Most of the councils are controlled by Unionists, who want Northern Ireland to remain British.

"There's an issue on which we'd have common ground," Harold McCusker, a spokesman for the Official Unionist Party, said of Sinn Fein.

"I don't think anyone doubts they have support," he said. "If they didn't, they wouldn't be mur-

dering my colleagues and getting away with it."

The Official Unionist Party led in the results, with 190 seats.

Nicholas Scott, the British under-secretary of state for Northern Ireland, said on British radio that the government would meet with Sinn Fein only if it renounced violence.

Peter Barry, the Irish foreign minister, expressed disappointment over the vote for Sinn Fein.

"As the talks between Dublin and London were progressing," he said, "this should have given encouragement to nationalists to back constitutional politics rather than the politics of violence, which is what Sinn Fein are about."

The pressure now seems to be on the Social Democratic and Labor Party, a nationalist party that condemns violence. The party won 101 seats with 17.8 percent of the votes, still ahead of Sinn Fein, which won 11.8 percent. There are six councils where the party will have to work with Sinn Fein or some combination of independents to have a nationalist majority.

## ■ FitzGerald Optimistic on Talks

Prime Minister Garret FitzGerald said Sunday in Cork, Ireland, that there was a chance of finding a solution that would be "just acceptable" to the Protestant and Roman Catholic communities in Northern Ireland, Reuters reported.

At the annual congress of his Fine Gael party, Mr. Fitzgerald said there was no certainty that the British-Irish talks on political structures for the British-ruled province would succeed, but he described the odds as evenly balanced.

"There is a real chance that a solution can be found that will be just acceptable to both sides," he said.

## Italian-Albanian Talks End

By Ihsan A. Hijazi  
New York Times Service

VIENNA — An Italian envoy, Bruno Corli, has left Albania after a "friendly talk" with Prime Minister Adil Cercani, the official Albanian news agency, ATA, reported Sunday.

## Kuwait Effort on U.S. Hostages Is Reported

By Ihsan A. Hijazi  
New York Times Service

BEIRUT — Kuwait has offered to free 17 prisoners in return for the release of Americans kidnapped in Lebanon but the bargain has been rejected by Islamic Jihad because the fundamentalist group found the terms of the exchange unacceptable.

Lord Carrington said the prospect of drawn-out negotiations in Geneva made a united NATO front on such issues as SDI vital.

"The problem is going to be to keep a consistent united front in the face of what are likely to be two or three elections every year in Europe," he said. "A consistent East-West strategy within an alliance of 16 is very difficult to maintain."

## ■ NATO Ministers to Meet

NATO defense ministers will pledge this week to make a special effort to remedy deficiencies in

their conventional defenses and reaffirm the remote goal of a 3-percent real annual increase in military spending, Reuters reported Sunday.

At a two-day meeting beginning Wednesday, ministers from 14 NATO countries are to hear a report by Lord Carrington and his staff on the most serious shortcomings of NATO forces.

Priority will be given to items such as shortages of ammunition, war-reserve stocks and trained reserves of manpower, a need for a joint aircraft identification system and for better anti-submarine defenses.

Kuwait made the offer in the last two months in contacts with Iran through Arab mediators, the diplomats said Saturday. They said that Kuwaiti officials had kept the U.S. government informed of the negotiations.

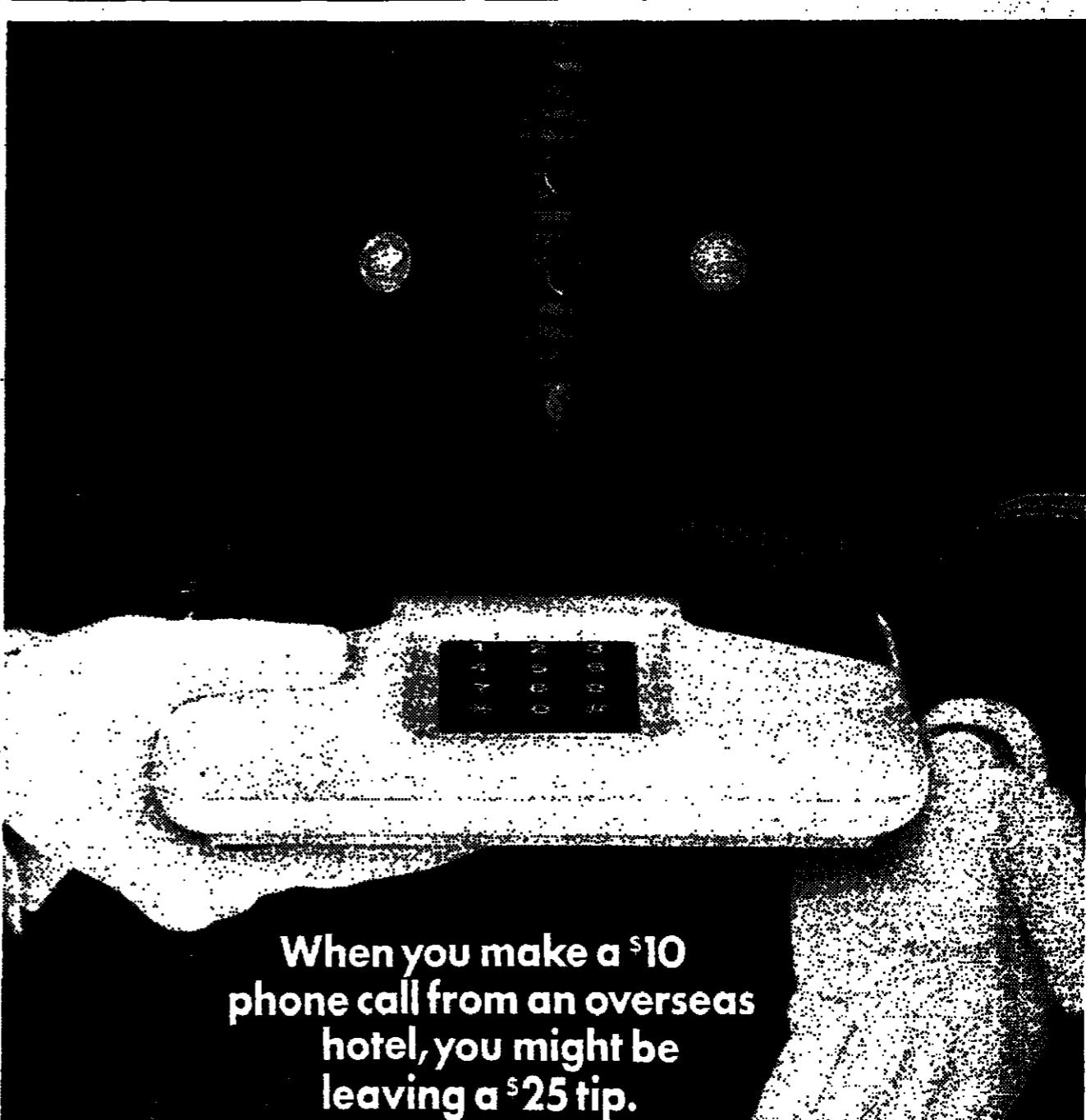
But in Washington on Saturday, a senior U.S. State Department official dismissed the statements of the Arab diplomats in Beirut as being fanciful.

The 17 prisoners held in Kuwaiti prisons were convicted for their part in bombings in December 1983 of the United States and French embassies in Kuwait and several Kuwaiti installations.

Islamic Jihad reportedly replied that it accepts no restrictions on its activities from anyone, and the authorities in Tehran sent word they were not in any way involved in the matter.

## ■ Blasts in Riyadh

Islamic Jihad, in a telephone call to a Western news agency, claimed responsibility on Sunday for explosions that killed one person and wounded three in Riyadh on Saturday, United Press International reported from Beirut.



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For

AMERICAN TOPICS

Job-Safety Agency  
Gets Low Rating

In its 15 years the Occupational Safety and Health Administration has had little measurable effect on protecting workers from accidents, according to a study by the Congressional Office of Technology Assessment. It said that infrequent inspections and low penalties have provided scant incentive for companies to comply with federal safety and health regulations.

The report said that OSHA inspected about 4 percent of American work places a year, or 160,000 of 4.6 million job sites. The penalty for a "serious violation" — one that could cause death or serious injury, averaged about \$172 in 1983.

About 6,000 people a year, or 25 every working day, died of injuries sustained at work, the report said. About half of the fatalities involve motor vehicles or falls.

The study found, however, that regulations had been effective in reducing the exposure of workers to a number of hazardous substances, including vinyl chloride, asbestos, cotton dust and lead.

Short Takes

Federally authorized wiretaps, which dropped from 137 in 1976, under President Gerald R. Ford, to a low of 77 in 1977, under President Jimmy Carter, have climbed each year during the Reagan administration. In 1984 they reached 289, a 39-percent increase from the previous year, despite criticism from civil libertarians. The Justice Department said that most wiretaps were used in narcotics investigations.

A hand-lettered sign about a "super" — short for building superintendent, a euphemism for janitor — was seen in the window of a brownstone row house on East 33d Street in Manhattan by Louise M. Gault and was reported to the New York Times:

**WARNING — Super Throws Garbage Bags Through Window When "High"**

Herman Melville's name and that of Edgar Allan Poe have been inscribed in stone in the one-year-old Poets' Corner at the Cathedral of St. John the Divine in Manhattan, joining those of Walt Whitman, Emily Dickinson and Washington Irving. The names were chosen by a jury of contemporary authors that included Robert Penn Warren and Eudora Welty. The corner is the American version of the centuries-old Poets' Corner in Westminster Abbey in London.



READY FOR LAUNCH — Coca-Cola and Space agency have announced that this special container will be available to astronauts on shuttle flights beginning in July. The can cost \$250,000 to develop.

Shorter Takes: Debris and graffiti have been removed from the tomb of Ulysses S. Grant on Riverside Drive in Manhattan in time for the centennial of his death July 23. . . . Scholars working with the King Center for Nonviolent Social Change in Atlanta have embarked on a 15-year project to assemble and publish 12 volumes of the speeches, sermons and letters of the Reverend Martin Luther King Jr.

Notes About People

Justice William H. Rehnquist of the U.S. Supreme Court suggested in a recent speech that today's lawyers have their priorities mixed up: "One suspects that Alexander Hamilton, Abraham Lincoln and William H. Seward, successful lawyers all, did not worry to the same extent as their present-day counterparts about the number of hours they had billed." He said that "lawyer-statesmen" virtually disappeared in the century following the Civil War.

The only siblings in the current Congress are Senator Carl Levin, 50, of Michigan, and his older brother and fellow Democrat, Representative Sander M. Levin, 53, who represents part of Detroit and its suburbs. Their

names were chosen by a jury of contemporary authors that included Robert Penn Warren and Eudora Welty. The corner is the American version of the centuries-old Poets' Corner in Westminster Abbey in London.

— Compiled by ARTHUR HIGGINS

Pilots Agree  
To Talk With  
United Again

By Douglas B. Reever  
*Washington Post Service*

WASHINGTON — United Airlines and the union representing its pilots agreed to resume contract negotiations on Monday in Chicago, as the pilots continued their strike against the largest U.S. carrier.

Negotiations collapsed in Boston on Friday, but the two sides agreed Saturday to try again at the request of Helen M. Witte, head of the National Mediation Board.

So far, most United passengers have been able to find alternative flights, according to officials at several key airports. United was able to launch 220 flights Saturday, about 14 percent of its schedule, up from 11 percent Friday.

Other carriers were quick to fill the void left by the airline, which normally carries 15 percent of U.S. air travelers serving all 50 states and nine destinations abroad. Pan American World Airways added a flight from San Francisco to Honolulu; World Airways offered an extra Los Angeles-Honolulu trip, and PSA and AirCal announced extra flights between San Francisco and Los Angeles.

Amtrak added cars to a train from Los Angeles to Portland, Oregon, and Greyhound Lines said it would accept United tickets.

The issue at stake is United's desire to lower the starting wage for pilots hired in the future, then keep them on a lower pay schedule for many years.

The Air Line Pilots Association, which represents United pilots, estimates that under United's last offer before negotiations broke down, the average new United pilot would draw \$300,000 less over a 30-year career than a current pilot. The result, the union says, would be a lower-quality pilot and a divided union.

United says it needs to reduce pilot costs to remain competitive. Its revenues were about \$6.2 billion last year, or \$17 million a day.

Henry A. Duffy, chairman of the union, which represents about 4,900 active United pilots, estimated that the strike was costing the airline \$5 million to \$10 million daily. He said that only six of 500 new pilots whom United had trained had crossed the picket line.

The chairman of United, Richard J. Ferris, has said that, if necessary, he would hire replacement pilots and slowly rebuild the airline.

Mr. Duffy said that striking pilots would receive about \$1,000 a month in strike benefits, far below their average pay of about \$7,000.

Deficit Debate: A Congressional Consensus Emerges

By Steven V. Roberts  
*New York Times Service*

WASHINGTON — The budget debate in Congress has illuminated a surprising consensus between both parties on broad questions of deficits and taxes despite the persistence of old differences over Social Security.

It is now clear that any fiscal

package that Congress passes will reduce the deficit by at least \$50 billion in the first year and will do so without raising taxes.

It is equally clear that the most serious cut in President Ronald Reagan's proposals will be made in the military budget and that Congress will largely reject his proposals to permanently trim the scope of government.

Both Democratic and Republican leaders are emphasizing the differences between the Senate-passed budget, which Mr. Reagan endorsed, and the plan adopted Thursday by the Democratic-controlled House Budget Committee.

Some of these differences will undoubtedly play an important part in next year's election campaign. The speaker of the House, Thomas P. O'Neill Jr., Democrat of Massachusetts, has already accused the president and the Republicans of betraying their pledge to preserve Social Security.

The Democrats' decision to avoid tax increases has also thwarted the Republicans' political plans.

The Senate majority leader,

Robert J. Dole, Republican of Kansas, assailed the House committee plan Friday as an "anti-defense, big government budget."

But the climate has changed on Capitol Hill since the first year of Mr. Reagan's term, when Democrats were outraged at his attempts to reduce taxes and restrict domestic programs. In the budget debate so far, hardly any voices from either party have challenged the president's basic demand that Congress slash the deficit.

As Representative Marge Roukema, Republican of New Jersey, said, "The president has dictated the terms of the debate."

Indeed, Democrats have boasted about the size of their deficit-cutting package. Thomas S. Foley of Washington, the House majority whip, said the Budget Committee's document "underscores the fact that the Democratic Party is very serious about the problem of the deficit."

This sort of fiscal conservatism in the Democratic ranks has frustrated Republicans, who are used to lambasting their rivals as "tax and spend" liberals.

Mr. Dole complained Friday that the bottom-line figures in the Senate and House budgets were so similar that American voters could not tell them apart.

The Democrats' decision to avoid tax increases has also thwarted the Republicans' political plans.

Some Democrats would clearly prefer to obtain more revenue. But with Mr. Reagan adamantly opposed to new taxes, Democratic leaders are simply not going to take the political risk.

One explanation for this policy is last year's election. After their presidential ticket lost in 49 of the 50 states, even many liberal Democrats became determined to refurbish their reputation for fiscal responsibility.

Moreover, many Democrats are genuinely alarmed about the potential impact on the economy of unchecked deficits. They might blame the problem on the president's policies, but they generally agree that Congress must respond decisively to reassure the financial markets and prompt a reduction in interest rates.

Another, and less visible, explanation is that many Democrats also see the deficit as the enemy of social spending.

But if Mr. Reagan has dictated

Reagan, Senators Attack House Plan

*New York Times Service*

WASHINGTON — The Reagan administration and Senate Republican leaders, using unusually sharp oratory, have attacked the 1986 budget drafted by the House Budget Committee last week, and Senate leaders said they doubted a compromise could be reached.

David A. Stockman, director of the Office of Management and Budget, called the House committee's budget "a tale of defense, deception and deficit."

Robert J. Dole, Republican of Kansas and Senate majority leader, accused the House committee of using "smoke, gimmicks and other assumptions" in assembling its budget plan.

Pete V. Domenici, Republican of New Mexico and head of the Senate Budget Committee, said: "I had hopes we would get a very major proposal through both houses. I'm now doubtful we can do that."

The House committee rejected a freeze in the cost-of-living increase for Social Security and other pension and benefit programs, reduced the military budget below the Senate level and cut projected nonmilitary domestic spending in 1986 by one-third less than the Senate.

the outlines of the budget debate, Congress is filling in those lines with a sharply different set of priorities.

For example, the president originally proposed a 6-percent rise in the military budget on top of an increase to make up for inflation, but he had to accept a Senate budget mandating an increase equal only to the inflation rate. The House version even eliminates the inflation factor, and at least 40 moderate Republicans are prepared to go along with it.

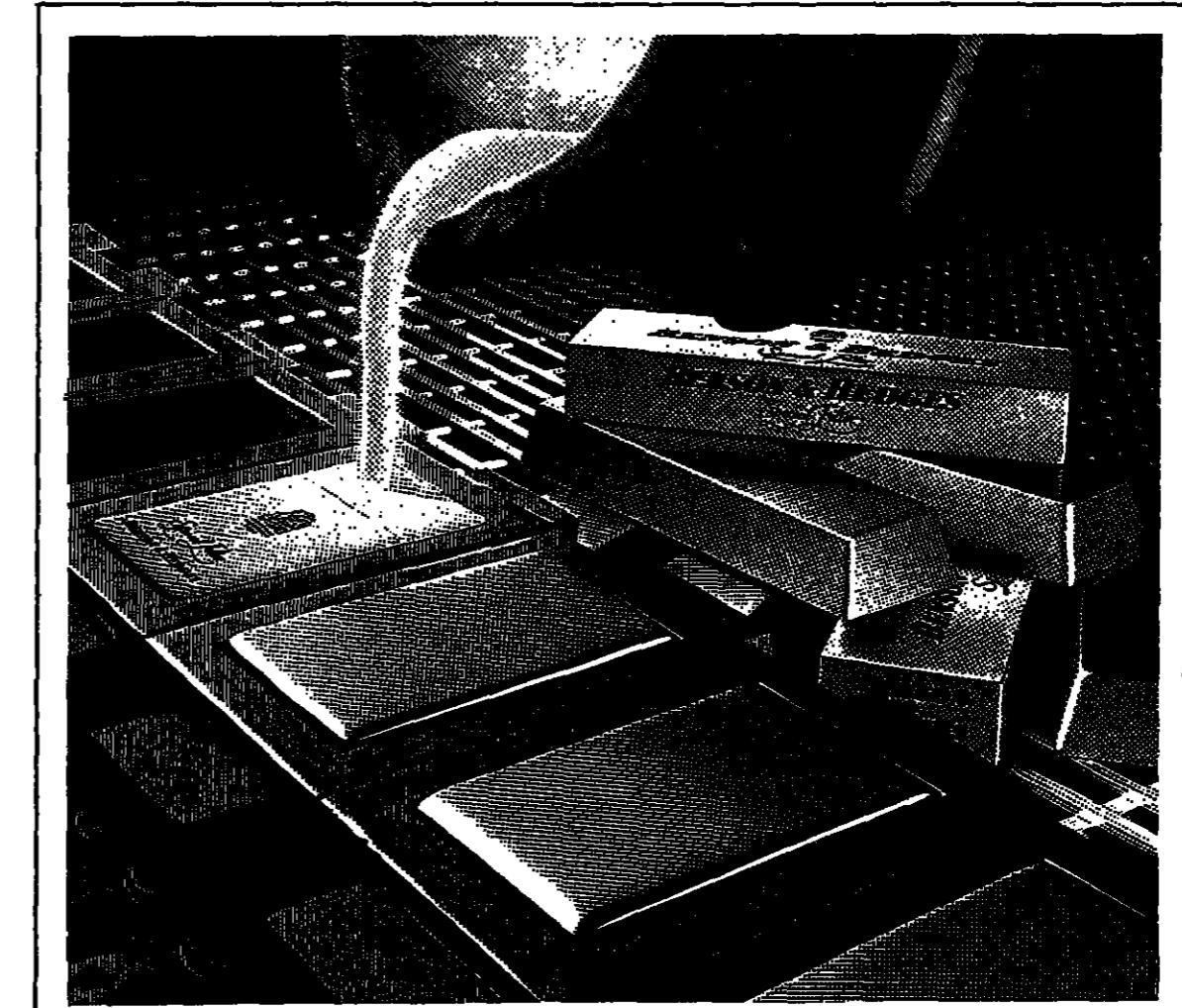
Another consensus position now visible is the rejection of Mr. Reagan's attempt to eliminate a number of government programs, ranging from Amtrak to urban development grants.

Each program fulfills a specific need and serves a certain constituency, and Congress is not about to root them out.

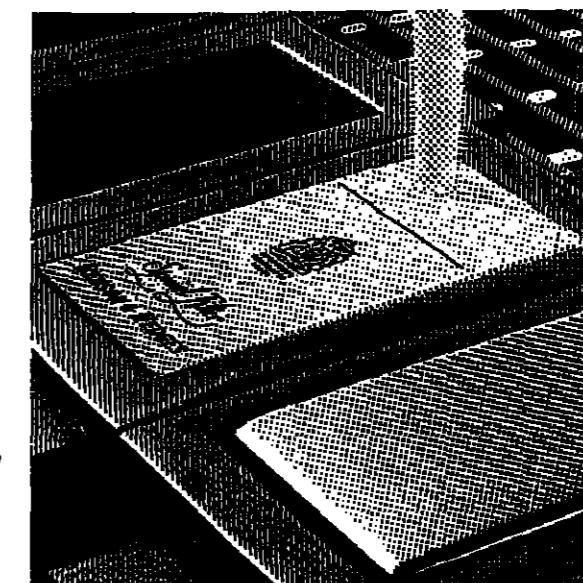
Representative Thomas J. Tancre, Republican of Iowa, said that even while Mr. Reagan was winning a stunning victory in November, the return contained "a lot of danger signs."

Tancre said, "we want to support our president, but we want to temper his policies. That's what we believe our constituents are saying, and that's what is happening on the budget."

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# INTERNATIONAL HERALD TRIBUNE

## A Chapter Ends in Italy

The difficult alliance between Italy's long-dominant Christian Democrats and the small Socialist Party of Prime Minister Bettino Craxi has been confirmed and strengthened; it will dominate Italian politics in the coming months, and perhaps for years. The Communists suffered a telling defeat at both national and the local levels. This, in summary, is the meaning of the regional, provincial and municipal elections of May 12.

Mr. Craxi is likely to stay on for some time with the help and toleration of the Christian Democrats. In August he will have been in office for two years; only two other governments in the republic's 40 years have had a comparable life span. When he took office, Mr. Craxi said he intended to last three years. The prediction was widely ridiculed at the time but is taken seriously now.

A fellow Socialist, Sandro Pertini, the 88-year-old president of the republic, is less likely now to win re-election. His seven-year term is almost over. The presidential election will be held in parliament late next month and the Christian Democrats are claiming the presidency again.

They will argue that there is no point in having Socialists in the country's two highest positions. Mr. Craxi, whose relations with Mr. Pertini have never been good, will agree, especially if it means a Christian Democratic commitment to prolong his stay as prime minister. The Communists have been Mr. Pertini's strongest backers.

The front-runner among the Christian Democratic hopefuls is Arnaldo Forlani, 59, a former prime minister and foreign minister. He has long strongly advocated alliance with the Socialists and opposed the "historic compromise" — the policy of cooperation with the Communists advocated by Aldo

Moro, the former prime minister who was killed by the Red Brigades in 1978.

As in all Italian elections since the war, few voters actually switched party allegiance. The Socialists have won 13.3 percent of the vote in the regions, a gain of 0.6 percentage points from the previous regional elections in 1980. The Communists polled 30.2 percent, a loss of 1.3 points from 1980. The Christian Democrats, although they have been declared the principal winners by friend and foe, took 35 percent, down 1.8 points. Their success lay in the fact that they came in far ahead of the Communists and did better than at their recent low points.

The strength of the alliance between the Socialists and Christian Democrats was tested and found to be solid in the cities, many of which had been governed by Communist-Socialist coalitions. Mr. Craxi and Ciriaco de Mita, the Christian Democratic Party's secretary-general, agreed before the elections to replace these leftist coalitions with alliances of their own wherever possible.

The Communists' countrywide decline was pointed up by the fact that leftist voters in the cities did not flock to them to compensate for the desertion by the Socialists. In Rome which has had a Communist-led city government for 10 years, the Christian Democrats came in first and will head the city government. In many other cities, new local government coalitions involving Socialists, Christian Democrats and the three other parties represented in the national government will be negotiated. The Communists' domination of the country at the local level, which lasted 10 years and compensated the second-largest party for its exclusion from the national government, is over.

INTERNATIONAL HERALD TRIBUNE

## Israel: Apparently Guilty

Israel's response to the evidence that it illegally acquired 800 nuclear bomb triggers from the United States is that it did not know that the shipments needed a license, that it cannot reveal why it needed the devices but would swear in writing that the purpose was non-nuclear, and that it will, if asked, return the large number of switches not yet consumed.

Sad to say, a confession of guilt leaps from these responses. The United States deserves better from an ally, and the cause of nonproliferation requires a concerned reaction.

The tiny switches, called krytrons, can deliver a precise amount of electrical current in as little as a millionth of a second. They are said to have some nonmilitary uses — in oil exploration and high-energy lasers, for example. But they are most valuable, although not essential, as nuclear bomb triggers, which is why their export is carefully policed. They are produced by only one American manufacturer, which takes care to warn purchasers against exporting them without a government license.

A federal grand jury in California has indicted a businessman, Richard Kelly Smyth, on charges of illegally exporting 800 krytrons to Israel in batches of 10 to 50 between 1980 and 1982. Israel's Defense Ministry acknowledges receiving them, denies complicity in smuggling and censors news about the affair.

Obviously, Israel has no innocent explanation. If the purchases were inadvertently illegal and for permissible purposes, it would apologize, state the purposes and request a retroactive license, not propose giving back the goods. Returning uneaten cookies to a jar is not usually proof of innocence.

The problem now is how to balance indignation with respect for an ally. When a Pakistani

agent was convicted of a similar evasion last year, the Justice Department actually helped to cover up the agent's connection to a friendly government, aborted his shipment and sent him home. But the United States also tightened up its export controls, and some members of Congress urged a law to deny aid to any nation that circumvents them.

This policy of harassment is useful to retard the spread of nuclear weapons. It is at best a delaying action, but every year gained buys time for diplomacy. Even in building their nuclear "devices," Pakistan, Israel and other nations take care to preserve the constructive fiction that they are not quite weapons. That fiction at least prevents them from presenting their neighbors with an open threat of nuclear war, and reduces the provocation to other nations to build nuclear weapons of their own.

Israel recognizes the value of this much restraint. It promises not to be the first to "introduce" nuclear weapons into the Middle East. By its reaction it has shown how provocative an adversary's buildup can be. When it learned in 1981 that an Iraqi reactor could make weapons, Israeli planes destroyed it.

Thus the world has managed to stigmatize nuclear weapons as still different from all others. Everyone knows that any number of nations are nonnuclear in name only. Yet as long as their arsenals are relatively primitive and unacknowledged, there is hope of averting nuclear wars. To preserve the stigma, signers of the nonproliferation treaty need to be closely policed, while non-signers, like Pakistan and Israel, need to be harassed. When they are caught improving their "devices," they have to be shamed and spanked.

— THE NEW YORK TIMES.

The Israelis have said that some krytrons have been used for military purposes but only for research with conventional weapons — specifically, range-finder using lasers. They have also said that those krytrons still in inventory, presumably unused, will be returned to the United States. How about the others?

Both Israel and Pakistan belong to the short list of countries that possess unacknowledged nuclear weapons or are trying to build them. The evidence suggests that Israel has for many years had weapons in the final stages of assembly, capable of being completed very quickly in an emergency. Pakistan is not nearly as close to having weapons, but, despite missiles, is clearly moving toward them. Both have nuclear laboratories and reactors that they refuse to open to international inspection, the basic safeguard by which countries demonstrate intentions regarding nuclear weapons. Neither has signed the nonproliferation treaty.

Both American law and common sense require a high level of U.S. vigilance to maintain stringent control of exports that might prove

useful to weapons builders. The international effort to dissuade governments from building these weapons has been on the whole successful over the years, but it has required a great deal of hard work by politicians, diplomats and, as in Los Angeles, policemen and prosecutors. That work is necessary.

Each country that obtains these weapons becomes a reason for others to attempt to get them. India's explosion of its nuclear "device" in 1974 — India claims the thing was peaceful, not a weapon — became an incitement to Pakistan to match it. Both Pakistan and Israel are in regions of great tension and longstanding hostilities. The United States has to apply the same rules to both. Having failed to catch the illegal shipments to Israel, unlike the similarly illegal shipment to Pakistan, the United States must now ask to have these devices returned — all of them. These krytrons are a small element in the struggle to prevent nuclear proliferation, but in this endeavor even the smallest elements are crucial.

— THE WASHINGTON POST.

## FROM OUR MAY 20 PAGES, 75 AND 50 YEARS AGO

**1910: So Much for Halley's Comet**  
PARIS — Comets' tails, if they behave as that of Halley's comet did [on May 19], need not disturb even the most timid when they whisk over the terrestrial sphere. The earth there is every reason to believe, passed through the tail of the comet and, despite careful preparations and vigilant attention, there was practically nothing to record. Registering instruments recorded no variations. Temperature and atmospheric pressure seemed normal. And then, here in Paris, light rain began, certainly the most normal of all natural phenomena this year. In fact, nothing to remark.

**1935: 51 Die as Russia Loses Plane**

MOSCOW — Broken metal scattered in fields and piled up in a demolished farmhouse was all that remained of the world's largest airplane, the Maxim Gorky, which crashed [on May 18], snuffing out 51 lives. Tribute was paid to the crew as mute evidence of the wreckage disclosed that the switches on all eight motors had been cut, indicating that the pilots had cut the ignition after the collision with a stunt plane above the Moscow airport to prevent the explosion of the fuel tanks. There was no evidence as to what caused the explosion that rent the plane into three parts.

**1985: 51 Die as Russia Loses Plane**

MOSCOW — Broken metal scattered in fields and piled up in a demolished farmhouse was all that remained of the world's largest airplane, the Maxim Gorky, which crashed [on May 18], snuffing out 51 lives. Tribute was paid to the crew as mute evidence of the wreckage disclosed that the switches on all eight motors had been cut, indicating that the pilots had cut the ignition after the collision with a stunt plane above the Moscow airport to prevent the explosion of the fuel tanks. There was no evidence as to what caused the explosion that rent the plane into three parts.

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JOHN HAY WHITNEY, Chairman 1958-1982

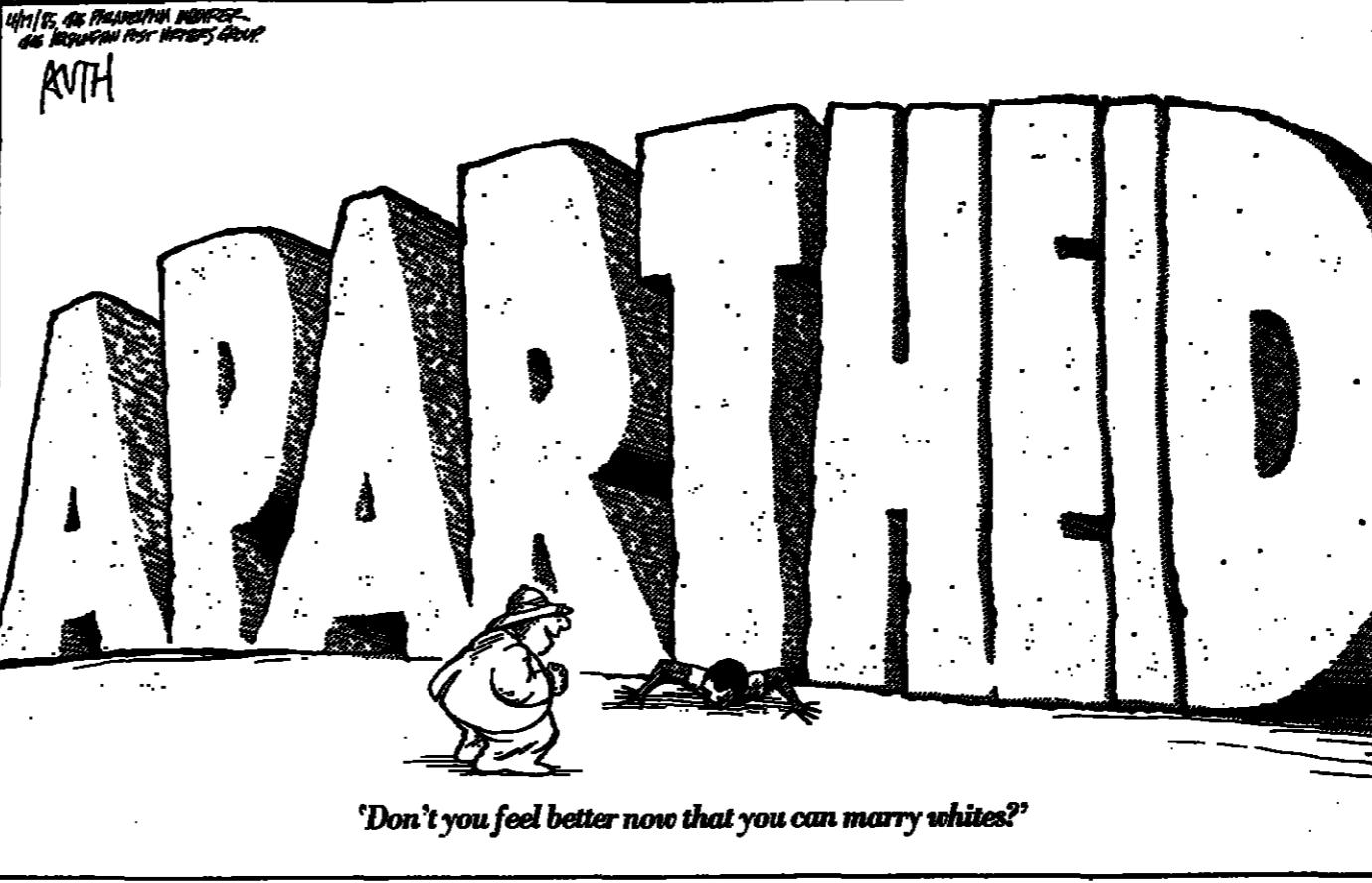
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## Lo, America's President Turns Into a King

By William Pfaff

PARIS — When the president of the United States travels abroad, his tasters precede him, trying the food he is to eat, overseeing the preparation of the banquets he will attend. At the dinner given by West Germany's president in Bonn on May 4, American security men told German officials where they could and could not move about.

The president of France was blocked in his car for 20 minutes because the U.S. Secret Service would not move President Reagan's backup car. Jews protesting Mr. Reagan's Bitburg cemetery visit were dragged away from the Bergen-Belsen concentration camp on Secret Service orders. These U.S. personnel were "like Roman legions in a foreign country" a German said. Another official said, "They behaved like apes."

What does this remind you of? When Louis XIV, the Sun King, dined at Versailles, an eunuch tasted his food in the kitchen. The king's meat — *la viande du Roi* — was delivered from kitchen to table, across a courtyard, preceded by two royal guards, an usher, the maître d'hôtel with his stick, the gentleman-servant of the pantry, the general supervisor of same, the assistant supervisor. Then came the meat, and after a second eunuch and two more guards. A courier encountering the meat on its way was obliged to remove his hat and bow to what the king was about to deign to eat.

The founding fathers of the American republic considered setting up a monarchy but decided, in all gravity, not to do so. George Washington refused a crown. He was too modest — or he merely saw that the time was not yet ripe.

Today, in fact but not in name, the United States has a king (or an emperor) surrounded by pomp, protocol and protection that would have astounded *le Roi Soleil* and appalled the authors of the American constitution. There are courtiers — still fawning, one fears — and courtiers' courtiers.

There is the mighty and dreaded Washington press corps to chronicle every mood and humor in the royal progress, every step and misstep, to search for every inconsistency between what the August Personage, his scribes and his ministers say today and what they said yesterday. Ostensibly these reporters are the proxies and protectors of the people, like the aristocrats always present at royal births to witness to legitimacy; actually they give further testimony to the quasi validity of the figure to whom their professional lives are devoted.

But the president of the Swiss Confederation, which is not a global power but not an insconsiderable one either, jostles with other guests to get his coat from the cloakroom at concerts. The president of the French republic takes his friends to dinner in restaurants and leaves the quality of his food to the chef. The Queen of England goes out with a detective to accompany her, and the bear to the throne gets knocked off his horse at a polo.

It was not so long ago that such things happened in Washington — in republican, pre-imperial Washington. Harry Truman used to take brisk walks through the City. A recent letter to a newspaper told of the writer's father driving under the White House portico in the 1930s to put his car's top up in a rainstorm. An usher came to the door politely to inquire what he wanted.

Ah, the reader may say, but times today are different. They are; but not that much. There are terrorists today, but these were terrorists yesterday, and the great and murderous American Nut, who shoots famous people to give a little meaning to his life, has always been with us. Puerto Rican Nationalists attacked Blair House in 1950 to try to kill Harry Truman, but he went on taking walks.

Franklin Roosevelt was attacked in 1933 and Chicago's mayor took the bullet and died. Lincoln, Garfield, and McKinley were all shot.

Terrorists are nothing new. Between 1890 and 1914 assassins killed the empress of Austria, the president of France, the king of Italy, the president and vice president of Mexico, the king of Greece, the prime minister of Spain, President McKinley and the archduke of Austria. That is a more imposing record than Colonel Gadhafi, the PLO, the Bulgarian secret service and the Baader-Meinhoff gang can claim, all together.

What is so new in the American situation that the head of the executive branch of government is not given to be the object of a quixotic and obsessive protection of a monarch, while allied chiefs of state are treated as vassals, expected to bow to the king's meat — or to his backup limousine?

There is an intelligent and experienced vice president, and a line of succession assuming that America would have a president even if a dozen men and women were assassinated in turn. There are, to be blunt, plenty more where this one came from. The halls of Congress and the statehouses are crowded with people who want desperately to be president — and have the qualifications, such as they are. A new election comes every four years.

What has changed in American life that Americans should pay such servile, even obscene, attention, then, to the presidential incumbent, his wife, his entourage? Mr. Reagan, Mr. Carter, Mr. Ford — these are ordinary and decent men placed by the people, for a few years, at the top of the insecure pile of American politics. Why are they treated like gods? Who is being flattered or appalled? The people themselves? Is that what it's all about? Is it not ego, self-advertisement, self-aggrandizement? I don't know, but I think it is time that it stopped.

© 1985 William Pfaff.

## When Iraq Speaks Up For Israel

By Philip Geyelin

WASHINGTON — "We must use our machine guns ... to free Jerusalem ... The day will come that everyone wishes to be rid of [Jerusalem] ... Israel must be banished from the face of the Earth."

Those jolting exhortations are printed around the edges of a brightly colored map of the Middle East. Copies by now should be in the hands of every member of Congress and the key people at the State Department.

The words alone would suggest an Israeli effort to unmask the true purposes of the PLO. But the distributor is Nizar Hamdoon, the Iraqi ambas-

sador to the United States. His target is Islamic fundamentalism in general and the Iranian regime in particular.

Mr. Hamdoon claims — and experts who have seen the document have no reason to doubt him — that the map was taken from captured Iranian revolutionary guards.

If nothing else, the map, and the use of the ambassador is putting it, are graphic reminders of the Middle East's endless potential for upheaval, for some subtle and sometimes sharp realignments, for the posing of new threats from new directions, as well as of new opportunities.

The war between Iraq and Iran has raged on and off for four and a half years with neither side demonstrating the ability to win conclusively. Yet Mr. Hamdoon is not alone in his concern over the larger aims of the ruling Shiite fundamentalists in Iran.

The tracing by U.S. intelligence of devastating terrorist acts in Lebanon through Syria to Iran suggests that the Iranians do not have to win the war to be a menace to the area. Shiite extremists are an active threat in Lebanon. American as well as Iraqi analysts share a worry that Iran may take out its frustrations in the war with Iraq by making a move on Kuwait.

Thus a prominent American Arabist finds Mr. Hamdoon's map "very interesting," if only in the sense that it brings the fanatic public rhetoric of Islamic fundamentalism into tight focus. That Israel is on the Iranian map is not a surprise. So are almost all of America's Arab friends, most notably the monarchies and sheikhdoms sitting on the vital oil resources of the Gulf. But Iranian fundamentalist indoctrination has to be running deep when the ayatollah's revolutionary guards are carrying into battle so explicitly a statement of their mission.

You would expect the map to show its five arrowhead green-and-yellow bands sweeping out of Iran and converging on Baghdad. You might not expect to see three huge arrows thrusting westward at Jerusalem, or to find the Iranian future for the Gulf conveyed by designation of Saudi Arabia on the map as "Arabistan."

The conclusion that official Washington is being invited to draw from this bit of evidence is that Iraq stands as a vital bulwark defending American interests in the Middle East, including not only the Moslem elements but also Israel. What then?

Iraq's objective is modest. Mr. Hamdoon insists. With its Moscow connection, its dependence on Soviet arms and its professed devotion to nonalignment, it has no expectations of material U.S. support. But it would welcome a shift of U.S. policy away from strict "neutrality." Specifically, it would like America to use its influence on Europeans, Japan and others of its friends who continue to sell trucks, small boats, light aircraft and other items to Iran.

With an eye to a post-Khomeini Iran, the Reagan administration has been careful not to choose sides. So a conspicuous "tilt" to Iraq is unlikely. U.S. policy, which has yet to be put to a test by the inconclusive ebb and flow of battle, is a negative: It does not want Iraq to lose.

But Mr. Hamdoon's map reflects a positive side to U.S.-Iraqi relations that few would have forecast four years ago. Then Iraq was seen as the instigator of the war with Iran, the shelterer and sponsor of terrorism. By the time full diplomatic relations were re-established between the United States and Iraq last November after a 17-year break, Iraq had tempered its public stance on a solution of the Arab-Israel-Palestinian conflict. It had largely rid itself of the "terrorist" image. It had moved closer to restoring relations with Egypt and identified itself more clearly with the "moderate" Arab camp.

That is should now be presenting itself, for whatever reasons of expediency, as a credible line of defense against threats to Israel's security is one more sign of that never-ending Middle East potential for change. *Washington Post Writers Group.*

## LETTERS TO THE EDITOR

### Nigeria's Crowded Ports

In "Nigerians Prevent Unloading of Emergency Food for Chad" (April 5), it was reported that officials of the UN World Food Program had complained that ships loaded with emergency food aid for more than 1.5 million hungry people in landlocked Chad had been prevented from unloading at Nigeria's main port.

In a special report on Nigeria (March 12) you noted Lagos port

By Philip G. Carter

Washington  
Times Service  
TEGUCIGALPA, Honduras —  
Hostilities along the Nicaragua-Honduras border have widened dramatically in recent weeks, according to U.S. military and diplomatic officials here, with Nicaraguan troops crossing the border for the first time in force to pursue rebels operating from sanctuaries in Honduras.

The U.S. officials said that the troops had clashed repeatedly with the Honduran Army and that their artillery bombardments across the border had forced up to 1,000 Honduran civilians to flee their villages. They added that groups of up to 200 Nicaraguan soldiers at a time had been seen in Honduras.

In Managua, the chief of intelligence for the Nicaraguan Army said in an interview that shelling and skirmishes across the border were unavoidable as long as Honduras had not honored its treaty to protect the country against invasion.

In a confrontation last week near the Honduran town of Arenales, U.S. officials said, one Honduran soldier was killed and four were wounded in a firefight with a Socialist patrol inside Honduras.

Although the Hondurans have a well-regarded air force trained by Americans and equipped with French, U.S. and Brazilian planes, they have been reluctant to send air power to the mountainous border area, U.S. military officials said.

The officials said that the Honduran pilots did not have navigational maps of the area and were wary of Nicaraguan patrols armed with Soviet SAM-7 surface-to-air missiles.

In addition, they said, the Hondurans fear the domestic political turmoil that might result if there is a further widening of the fighting. U.S. officials said that Honduras had been slow to make an issue of the Socialist border crossings because they were "embarrassed" that they cannot control them.

In Panama last week, the Nicaraguan deputy foreign minister, Victor Hugo Timco, said that Nicaragua had asked the Contadora group of four Latin American countries to send a team to investigate the recent border clashes. The Contadora group, comprised of Mexico, Panama, Colombia and Venezuela, is seeking a peaceful resolution of conflicts in the region.

Meanwhile, both U.S. and Nicaraguan officials said that the battle momentum had turned sharply against the Nicaraguan rebels.

Commander Ramos said that the Sandinists had counted 1,200 guerrillas dead and wounded in the past two months and that 90 percent of the forces operating in the border area — estimated at 10,000 to 15,000 guerrillas — had been driven into Honduras.

In a related development, the U.S. secretary of housing and urban development, Samuel R. Pierce Jr., has pledged federal aid of \$1 million to help the estimated 270 residents left homeless by the fire.

Mayor Goode's office confirmed that police had begun surveillance of two other fortified MOVE houses. It was not known how many people lived in the houses.

"I believe that there is a potential for additional violent confrontation between MOVE members and the city," the mayor told the Philadelphia Daily News. He said "acts of revenge" were possible.

"We have a very dangerous group here," Mr. Goode said in a separate interview with ABC News. He said there had been "threats of all kinds already against the lives of many people, including the mayor."

The fire commissioner, William Richmond, also said his life had been threatened.

Fourteen known MOVE members are in Pennsylvania prisons. Nine of them are serving sentences in connection with the fatal shooting of a police officer in a confrontation in 1978.

Mr. Pierce, who toured the devastated area Friday by foot, said the \$1 million in federal aid was to be used for construction of new homes and rehabilitation of damaged ones. Additional aid, consisting mostly of Housing Department subsidies, is to provide temporary housing while the area is being rebuilt.

The \$1 million comes from a "discretionary fund" at Mr. Pierce's disposal as head of the Housing Department, aides said.

## Nicaragua Steps Up Raids on Rebels On Honduran Border, U.S. Aides Say

By Bill Keller

New York Times Service

TEGUCIGALPA, Honduras — Hostilities along the Nicaragua-Honduras border have widened dramatically in recent weeks, according to U.S. military and diplomatic officials here, with Nicaraguan troops crossing the border for the first time in force to pursue rebels operating from sanctuaries in Honduras.

The U.S. officials said that the troops had clashed repeatedly with the Honduran Army and that their artillery bombardments across the border had forced up to 1,000 Honduran civilians to flee their villages. They added that groups of up to 200 Nicaraguan soldiers at a time had been seen in Honduras.

In a confrontation last week near the Honduran town of Arenales, U.S. officials said, one Honduran soldier was killed and four were wounded in a firefight with a Socialist patrol inside Honduras.

Although the Hondurans have a well-regarded air force trained by Americans and equipped with French, U.S. and Brazilian planes, they have been reluctant to send air power to the mountainous border area, U.S. military officials said.

The officials said that the Honduran pilots did not have navigational maps of the area and were wary of Nicaraguan patrols armed with Soviet SAM-7 surface-to-air missiles.

In addition, they said, the Hondurans fear the domestic political turmoil that might result if there is a further widening of the fighting. U.S. officials said that Honduras had been slow to make an issue of the Socialist border crossings because they were "embarrassed" that they cannot control them.

In Panama last week, the Nicaraguan deputy foreign minister, Victor Hugo Timco, said that Nicaragua had asked the Contadora group of four Latin American countries to send a team to investigate the recent border clashes. The Contadora group, comprised of Mexico, Panama, Colombia and Venezuela, is seeking a peaceful resolution of conflicts in the region.

Meanwhile, both U.S. and Nicaraguan officials said that the battle momentum had turned sharply against the Nicaraguan rebels.

Commander Ramos said that the Sandinists had counted 1,200 guerrillas dead and wounded in the past two months and that 90 percent of the forces operating in the border area — estimated at 10,000 to 15,000 guerrillas — had been driven into Honduras.

In a related development, the U.S. secretary of housing and urban development, Samuel R. Pierce Jr., has pledged federal aid of \$1 million to help the estimated 270 residents left homeless by the fire.

Mayor Goode's office confirmed that police had begun surveillance of two other fortified MOVE houses. It was not known how many people lived in the houses.

"I believe that there is a potential for additional violent confrontation between MOVE members and the city," the mayor told the Philadelphia Daily News. He said "acts of revenge" were possible.

"We have a very dangerous group here," Mr. Goode said in a separate interview with ABC News. He said there had been "threats of all kinds already against the lives of many people, including the mayor."

The fire commissioner, William Richmond, also said his life had been threatened.

Fourteen known MOVE members are in Pennsylvania prisons. Nine of them are serving sentences in connection with the fatal shooting of a police officer in a confrontation in 1978.

Mr. Pierce, who toured the devastated area Friday by foot, said the \$1 million in federal aid was to be used for construction of new homes and rehabilitation of damaged ones. Additional aid, consisting mostly of Housing Department subsidies, is to provide temporary housing while the area is being rebuilt.

The \$1 million comes from a "discretionary fund" at Mr. Pierce's disposal as head of the Housing Department, aides said.

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## Swiss Banker Found Guilty in Fraud Case

Reuters

GENEVA — A prominent private Swiss banker, Robert Leclerc, has been found guilty of diverting millions of dollars from his clients' accounts.

The jury at a Geneva criminal court rendered the verdict late Saturday, finding the banker guilty of 60 charges of fraud and breach of confidence.

Mr. Leclerc, 67, is to be sentenced Monday and the public prosecutor, Raymond Foer, was expected to demand a maximum 15-year sentence.

### DOONESBURY



The five-week public trial concluded the case of Leclerc & Co., a private Geneva-based bank that the Federal Banking Commission closed down in 1977.

The commission said an investigation showed a consolidated balance sheet deficit of 394 million Swiss francs (then valued at about \$220 million).

The secretive world of Swiss banking was stunned when the manager of the bank, Charles Bourdier, was found drowned in Lake Geneva and another former Le

clerc partner committed suicide shortly after the closure.

In 1978, Mr. Leclerc was arrested and spent 15 months in prison despite repeated pleas for his release on the ground of ill health. He eventually was freed on a \$10,000-franc bond.

In an impassioned final plea to the jury of 10 women and two men, Mr. Leclerc conceded that he had made mistakes but said he had never dipped into any of his clients' accounts. He asked forgiveness from his former clients, many of whom were close friends.

His lawyers argued that he was innocent of any criminal wrongdoing, and said the banking commission caused the clients' financial losses by unnecessarily closing the bank.

The public prosecutor was joined by five lawyers pressing a civil action against the banker on behalf of some of the 4,182 clients who lost money. They accused him of using fraud and deception to conceal 25 million francs in secret accounts from 1970 to 1977.

## Europeans, Soviet Plan Mars Probe

The Associated Press

MOSCOW — The Soviet Union and the European Space Agency have agreed to cooperate in a probe of the planet Mars with a satellite to be launched in 1988, the press agency Tass has reported.

The agency also said that the Soviet Academy of Sciences suggested to the 11 West European members of the European Space Agency at a meeting in Leningrad last week that they participate on a "large scale."

According to the Tass report, distributed Friday, the Project Phobos spacecraft will be launched in 1988 to orbit one of Mars's two natural moons.

Phobos is closer to Mars than the planet's other moon, Demos, and has a diameter of about seven miles (11 kilometers). It is believed to be an asteroid caught in the gravity of Mars.

Vyacheslav Balashov, deputy director of the Soviet Academy's Institute of Space Studies, was quoted as saying: "The chemical composition, temperature, density and dust saturation of the atmosphere of Mars, the characteristic features of the planet and its magnetosphere will be under distant observation."

The project will last about 15 months, Tass reported.

"The terms and the dates of deliveries of equipment, apparatus and documentation for the Phobos project have been specified in detail," Tass said, without elaborating.

The European Space Agency members are Belgium, Britain, Denmark, France, Ireland, Italy, the Netherlands, Spain, Sweden, Switzerland and West Germany.

The European Space Agency members met in Rome on Jan. 30 and approved participation in the U.S. space station project and the construction of a more powerful launcher.

## 40 Killed in Sri Lanka, Near Site of Massacre

United Press International

COLOMBO, Sri Lanka — unidentified attackers killed 40 Tamil civilians and burned Tamil houses Sunday in a town near the site of a recent massacre, the police said.

The men and women were killed in Amparai, 150 miles (245 kilometers) east of Colombo. The bodies were buried by commandos of the Special Task Force, which is in charge of security in the Eastern Province.

[Sepala Atiyalle, the defense secretary-general, said reports of large Tamil civilian casualties in the area were "absolute nonsense." Reuters reported.]

The reported killings were the latest in violence between the mostly Hindu Tamils and the predominantly Buddhist Sinhalese majority. Tamils accuse the Sinhalese of discrimination and want a separate state in the Northern and Eastern provinces, where they are a majority.

Amparai is near Anuradhapura, where Tamils massacred more than 170 Sinhalese on Tuesday. That attack prompted reprisals that have resulted in the deaths of dozens of Tamils.

■ First Such Large Attack

Earlier, Barbara Crossette of The New York Times reported from Anuradhapura:

The killings Tuesday marked the first such large-scale assault by the Tamils against civilians in a Sinhalese-controlled area.

Witnesses to the attack and survivors of it were stunned and frightened, but they also were angry that a small band of gunmen had been able to operate freely.

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## FRANCE

### A SPECIAL ECONOMIC REPORT

MONDAY, MAY 20, 1985

Page 7

## Industry Reacts To a Lighter Government Hand

By Michael Mercafe

PARIS — The scales of French industry, long weighed down by losses, state interventionist policies and overmanning, are slowly tipping more favorably.

Corporate profits in both public and private enterprises are up, investment continues at a steady, though sluggish, pace, industrial productivity is improving and the Socialist government's policy of nationalizations and direct intervention has given way to a more pragmatic approach.

Yet the signals are not all green.

Several large companies vital to French industry's well-being, notably Renault, have swung deeper into the red. Coal, shipbuilding and iron and steel all remain in the twilight zone, while much industrial restructuring in the textiles, chemicals and electronics sectors remains to be completed.

"We have a long way to go, the industrial structure is still too rigid, and it may well be that time is running out," said a senior adviser in the Industry and Foreign Trade Ministry, commenting on the government's election year approaches.

With less than 10 months to go before the parliamentary elections, in which the rightist opposition is expected to wrest control of the National Assembly from the Socialists, rumors have abounded in Paris that the administration was planning some moves toward decentralization to gain favor among France's more conservative voters.

These rumors have now been flatly denied by government ministers, notably Industry Minister Edith Cresson. They insist the administration has nationalized only parent companies and not their affiliates, leaving the latter free to do as they wish.

"What we are seeing is a slow move by the government to approve listings on the Paris Bourse of small amounts of shares of the affiliates, or subsidiaries, of large nationalized companies, not a wave of denationalizations among the powerful parents," noted a stock market analyst, citing the move as an example of the government's more pragmatic approach to industry.

Adhering to its policy of reducing wide-reaching state intervention, the administration of Prime Minister Laurent Fabius, formerly the industry minister, has moved more in favor of promoting decentralized decision-making and entrepreneurship.

An example of this trend was the landmark exchange of electronics assets between the two state-owned groups, Compagnie Générale d'Électricité and Thomson, in September 1983, which was negotiated exclusively by the managing parties.

Highlighting the shift away from centralized industrial planning is the decline in influence of the French Planning Organization, which since the postwar years has played a pivotal role in allocating planning to gain favor among France's more conservative voters.

(Continued on Next Page)



TGVs waiting for departure from Paris. France's high-technology industries: Page 10.

## Barre: End the Controls

By Raymond Barre

AN ACCURATE estimation of the economic situation in France at the beginning of 1983 must not be restricted to the observation of a number of relatively satisfactory results that could lead to the impression that it is developing favorably. It is necessary to draw from this situation, as clearly and objectively as possible, the positive and negative aspects that it contains.

In April 1983, the government decided a complete turnaround in the economic and social policies that it had initiated in 1981 and was unquestionably successful in putting a halt to the rapid deterioration of the situation that had brought about three devaluations of the franc within a period of 18 months. When we compare the results of 1984 to those of 1982, we

Mr. Barre was prime minister under the former government of President Valéry Giscard d'Estaing.

see that inflation has been reduced sharply, that the rise in production costs has been slowed, that the deficit in the balance of trade has been cut, that the balance of current accounts is nearing equilibrium and that the franc's rate of exchange has been stabilized within the European Monetary System. Yet, these results are fragile and many negative factors remain as a threat to the future.

The drop in the rate of inflation is due in part to disinflation throughout the world and to a slower rise of labor costs, but most of all, it is due to price controls of most of the industrial products listed on the consumer price index, to the control of public utilities rates as well as to the limits placed on wage increases. This last factor has been made easier by rising unemployment. Yet, despite all these controls, the difference in the rates of inflation between France and its main economic partners has not been reduced to a great extent (2.1



Raymond Barre

percent in March 1984 against 2.9 percent in March 1981 after having amounted to 6.2 percent in March 1982.)

France has not managed to achieve a full recovery in its balance of payments, but the Socialist government was too hasty in

## Chirac: Curtail the State

By Jacques Chirac

AS WE APPROACH the middle of the year, one thing is clear: Socialist medicine, whether it be expansion through budget deficits and inflation, as in 1981 and 1982, or a forced return to austerity, is no cure for what ails France. The latest economic indications are proof of that.

According to these figures, economic expansion in France did not reach 2 percent as some were too quick to announce, but only 1.5 percent. Furthermore, the National Institute of Statistics and Economic Studies has forecast a national growth of 1 percent for 1985, which is 1 to 2 points lower than the expected growth of most of our neighbors.

As for prices, here, too, the Socialist government was too hasty in

claiming victory. The government thought that it could bring the rate of inflation down to 4.5 percent in 1985, but, according to the figures for the first quarter of the year, it is clear that the inflation rate will remain between 6 percent and 7 percent. This is a very unsatisfactory result because the gap between French prices and those of our neighbors remains wide and is even growing. This is particularly true of the difference between French prices and those of our main trading partner, West Germany.

Furthermore, industrial production for the last year has shown absolutely no growth. Under these conditions, it is not surprising that job offers are falling, that unemployment is rising and that the situation for business remains precarious.

And in foreign trade, the poor results of the first quarter of the year have dashed the government's hope of achieving a small surplus

for 1985. On the contrary, the current trend indicates that there will be a deficit of about 30 billion to 35 billion francs in external trade.

For unemployment, the slight improvement in March, a drop of

(Continued on Next Page)

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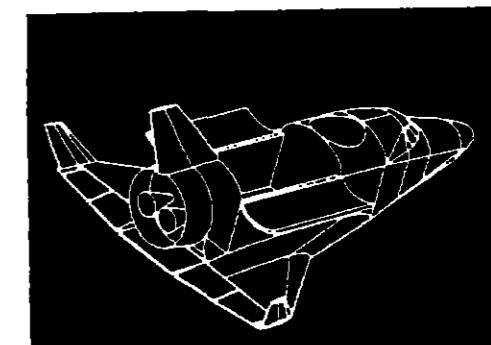
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ties. The earliest time would be "sometime from now," Mr. Fabius said, and several prerequisites are involved. He cited the need to bring the country's current balance of payments back into the black, further reducing chronic inflation and building "a modern and competitive" French industry. "A lot will depend on [the cooperation] of the French business community," he said.

Although Mr. Fabius may be tempted to push for some expansion in the months ahead, most observers agree that the room for maneuver is extremely limited. "In the absence of concerted European

action, a highly unlikely development this year, a major reorientation of the [French] policy is unlikely," said Wharton Econometric Forecasting Associates, Inc., a U.S. consulting group, in its May review of world economies. Senior government officials, speaking privately, say that any politically inspired move to

ward expansion would rekindle expectations of inflation and would backfire immediately, probably causing a sudden weakening of the franc in world currency markets. "Even if we wanted to reflate, we couldn't," said a senior Finance Ministry official.

Indeed, there is general agreement among private forecasters, such as Wharton and international agencies, such as the Organization for Economic Cooperation and Development, that the government is on the right track, even though, as the OECD recently noted, France's domestic demand is likely to grow at only half the combined rate of the European Community during the next year.

On the positive side, the government has reduced inflation from an annual rate of just under 14 percent in 1981 to 6.4 percent. The current account in the balance of payments could wind up in balance this year, despite a deficit of 16.8 billion francs in the first quarter. Productivity and corporate profits have grown substantially, which is reflected in booming stock markets in Paris, Lyon and other cities.

Deregulation of the banking system is starting along with partial privatization of nationalized industrial companies. Interest rates have fallen somewhat. And the budget deficit has been kept to just over 3 percent of gross domestic product.

"There are constraints, and we cannot spend more than we earn — (Continued on Page 10)

## A SPECIAL REPORT ON FRANCE

## Barre: Recovery Requires an End to Controls

(Continued From Previous Page)

ance of payments. It has not been able to develop the surplus that it needs to stabilize its external debt. France's credit rating is one of the best in the world, but the prospects for expansion of the French economy in the medium term will be hindered by the obligation to service its debt. Furthermore, French business enterprises have lost some of their ability to compete and their share of the international market is falling.

French firms, which were seriously shaken by the economic measures imposed by the Socialist government in 1981 and 1982, are beginning to profit from an improvement in their earning ability. Yet, the results are extremely varied for private firms as well as for those in the nationalized sector. The serious situation of Renault, which made a profit in 1980, illustrates the negative effects that price controls and a rise in production costs have had on industry. And this is a consequence of the measures imposed by the Socialist government.

Business investments, which have dropped sharply since 1981, still have not recovered; they were

down 2.9 percent in volume in 1984 after declines of 4 percent in 1983, 1.2 percent in 1982 and 2.7 percent in 1981. The rise in industrial investments in 1984 did not compensate for the drop of investments in the other sectors: agriculture, housing and public works, transportation and services. Price controls

dismissals by private businesses whose activity is slow, and as more subsidies for nationalized industries (iron and steel, shipbuilding), where the pressure of labor unions remains powerful enough to curtail their necessary reorganization.

But, it is the financial situation of the nationalized sector that is

France has not managed to achieve a full recovery in its balance of payments. It has not been able to develop the surplus that it needs to stabilize its external debt.

and stagnation of economic activity do nothing to facilitate their re-sumption.

The employment situation never has been as poor as it is now. The continuing rise in the number of job seekers is less of a concern than the French economy's net loss of jobs since 1981. The policy of "modernization" that has been much vaunted since 1983 can be summed up as an increase in job

While the French economy at the

beginning of 1981 was on the way to recovering from the second massive rise in petroleum prices, during the rest of that year and in 1982 it fell behind in adapting itself to the changes in the international economic situation. This delay may have worsened in 1984, if the results of the French economy and those of its main competitors are compared.

This situation will weigh on all French governments in the coming years, whatever their political inclination may be. In my opinion, recovery will require a new economic policy based on ending controls that hinder business activity, the progressive reduction in the deficit of public finances through a cutback in spending, altering the tax system so as to stimulate business activity and investments, and stabilizing them, reducing, the external debt.

A policy such as this could have satisfactory results only if it were applied continuously for several years below the 2-million mark. Now, more than four years later and in a pre-election year, the jobless total in April was 2.3 million, or about 10 percent of the total work force.

Reconciling the need to restructure key sectors of French industry, often including unpopular measures to cut manpower levels, with the priority of keeping jobs totals down has proved an uphill task for Prime Minister Laurent Fabius and his predecessor, Pierre Mauroy.

Early retirement, retraining programs and the option to quit with severance pay are among the government's solutions to the problem of overmanning in sectors such as the automotive, steel, iron and coal industries. But these measures, often involving huge compensation payments that dent the already strained state budget, have left their scars on declining industries and their manpower.

Not only are smokestack industries, such as coal, steel and shipbuilding, coming under the hammer; nuclear power, transportation equipment and telecommunications are also feeling the pinch.

Moreover, mergers, asset swaps, plant closures and other rationalization measures springing from the government's earlier policy to nationalize key sectors of industry have led to jobs being shed rather than created. According to recent official statistics, the French economy will show a net loss of a rate of 170,000 jobs in 1985, a rate comparable to last year's levels.

It also forecast that between 1984 and 1988, the French automotive industry alone will have to cut 80,000 jobs, a good 10 percent of the industry's work force. In this sector, the state-owned Renault and the private groups Peugeot and Michelin are the worst hit.

In coal and steel, the existing labor forces of 57,000 and 90,000 are being cut by about 28,000 and 25,000, respectively, in the period 1984-1988, mainly through early retirement, redeployment to other related sectors and retraining programs.

Other areas feeling the ax are

## Socialists Find Unemployment Won't Go Away

(Continued From Previous Page)

shipbuilding, textiles and telecommunications, where more than 40,000 jobs have disappeared or are being eliminated.

Among the worst hit in the unemployed bracket is youth. "This government will be judged on its record on youth unemployment," Mr. Fabius said shortly after becoming France's youngest prime minister nearly a year ago. Almost half of France's unemployed are under 25. Public services, under pressure to save state money, as well as the private sector, are not taking on young people after school or university studies are completed.

Aggravating the situation are the large numbers of immigrant youth, the proportion is in decline.

According to an official at the Communist-dominated Confédération Générale du Travail (CGT), France's largest union, membership has fallen to about 1.6 million from 2.3 million in the late 1970s. "With the departure of the Communists from the government last year, and general disillusionment among party ranks, it's true to say that union morale is low at the moment," the official said.

While mounting strongly worded attacks on the government's employment and industrial policies, CGT and other union leaders have recently found that their calls for strike action are going unheeded.

— MICHAEL METCALFE

## Chirac: Socialist Medicine Is No Cure for France

(Continued From Previous Page)

0.2 percent, should not be considered to be anything more than just that. The real problem is that the average duration of unemployment continues to increase, while job offers continue to decline. In addition, it is well known that the real figure for the number of unemployed is 300,000 to 400,000 higher than the figure published by the government. This can be explained by the so-called "social treatment of unemployment," which now takes new forms, such as the *Travaux d'Utilité Collective* (Work for the Community), or through the system of *Contrat/Formation/Reclassement* (Contract/Training/Reclassification). It would be reasonable to place the true unemployment figure for France at 2.7 million.

The general economic situation in France is fairly somber at the present time. The government too hastily declared that the situation had returned to normal; this has not taken place. France is in the unfortunate situation of having the disadvantages of slow growth leading to increased unemployment without the beneficial fallout of lower prices or improved external

trade. This is all the more dangerous because the gap with foreign countries continues to grow.

During the last two years, economic growth in West Germany was far greater than ours and for this year the West German trade surplus is expected to be more than 30 billion Deutsche marks, while its

greatest concern for the French economy. The regularly expanding deficit of the state budget has been accompanied by a large increase in the domestic debt and a growing interest burden. There is also a deficit in social security, which experts believe will worsen starting in 1986, and a deficit in the nationalized sector, whose debt has grown in alarming proportions.

While the French economy at the

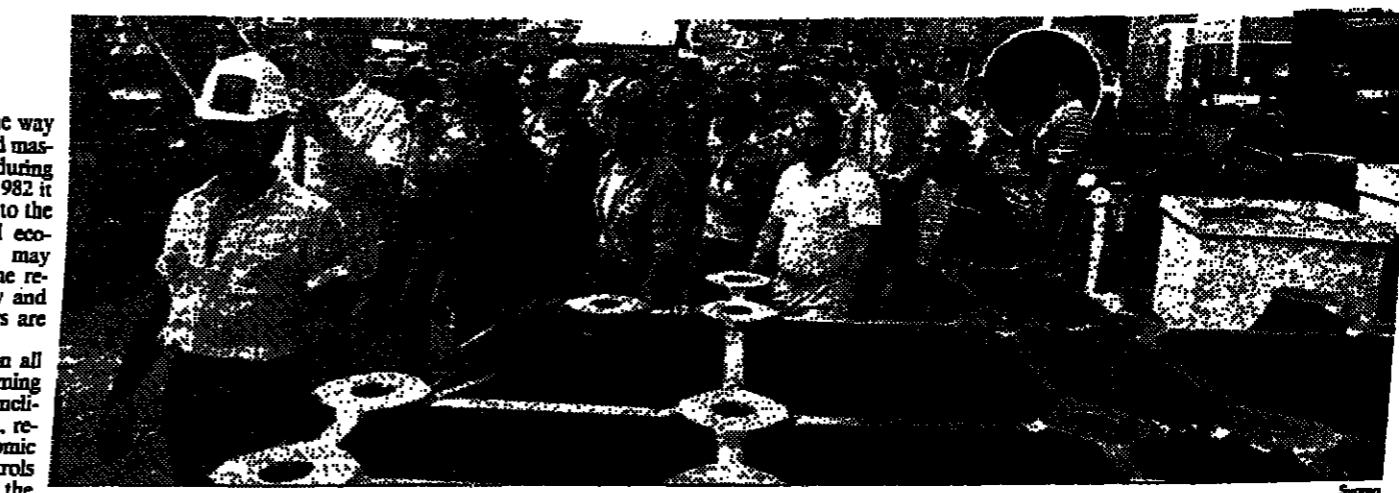
Production has shown absolutely no growth . . . it is not surprising that job offers are falling, unemployment is rising and the situation for business remains precarious.

inflation will not rise more than 2.5 percent. And I have made no mention here of the economic performance of the United States and Japan, both of which are still far better.

What is to be learned from all this is very clear: Socialist policies, whatever detours they may take, whatever changes they go through, can lead only to economic failure. Since the system has failed, it must

economic balance and assume its mission of defense, education, justice and welfare.

Our goals are simple. They are, first of all, to regain the confidence of a public that so often has been abused. This confidence, that of the consumers, of those Frenchmen who are worried about their savings, of businessmen, is the very condition on which the economic recovery of France will depend.



A demonstration at Creusot Loire.

## Socialists Find Unemployment Won't Go Away

(Continued From Previous Page)

PARIS — When France's Socialists were elected into office in 1981, one of the key pledges in their platform was to keep unemployment below the 2-million mark. Now, more than four years later and in a pre-election year, the jobless total in April was 2.3 million, or about 10 percent of the total work force.

Reconciling the need to restructure key sectors of French industry, often including unpopular measures to cut manpower levels, with the priority of keeping jobs totals down has proved an uphill task for Prime Minister Laurent Fabius and his predecessor, Pierre Mauroy.

Early retirement, retraining programs and the option to quit with severance pay are among the government's solutions to the problem of overmanning in sectors such as the automotive, steel, iron and coal industries. But these measures, often involving huge compensation payments that dent the already strained state budget, have left their scars on declining industries and their manpower.

Not only are smokestack industries, such as coal, steel and shipbuilding, coming under the hammer; nuclear power, transportation equipment and telecommunications are also feeling the pinch.

The means to achieve this economic recovery are well known. Briefly, we must reduce spending by the state so as to control the budget deficit, while progressively cutting back the total of fiscal charges to 40 percent of the gross national product, particularly taxes on businesses and on private citizens.

Such a policy will also entail controlled deregulation of prices, rates of exchange, credit, the right to work so as to unfetter French businesses to allow them to recover their dynamism and compete with foreign firms on equal terms.

It further means that the state should withdraw from fields where it does not belong, through denationalization and by a progressive easing of government intervention.

To cut back the role of government, reinvigorate business and give individual citizens greater responsibility — these are the basic principles of the program that I plan to propose to the people of France when the time comes to choose a new government.

It is also forecast that between 1984 and 1988, the French automotive industry alone will have to cut 80,000 jobs, a good 10 percent of the industry's work force. In this sector, the state-owned Renault and the private groups Peugeot and Michelin are the worst hit.

In coal and steel, the existing labor forces of 57,000 and 90,000 are being cut by about 28,000 and 25,000, respectively, in the period 1984-1988, mainly through early retirement, redeployment to other related sectors and retraining programs.

Other areas feeling the ax are

## Industry Reacts to Less Government Control

(Continued From Previous Page)

Funding the nationalized sectors of industry, covering huge losses, depleted reserves and a severely undercapitalized equity base, has proved to be a mammoth task for the government's budget.

Nationalized industries this year will receive a total of 13.5 billion francs in funds made available from the 1985 budget, with several billion more coming in the way of soft loans, interest-free subsidies and grants.

But while a more flexible approach to industrial policy and planning has arisen over the past year, the government's role and power to influence decisions remain overwhelmingly strong. The state owns or has holdings in more than 1,000 companies, comprising 29 percent of French industrial concerns, accounting for 32 percent of industrial turnover and 24 percent of industry's work force, official statistics show.

It is also forecast that between 1984 and 1988, the French automotive industry alone will have to cut 80,000 jobs, a good 10 percent of the industry's work force. In this sector, the state-owned Renault and the private groups Peugeot and Michelin are the worst hit.

In the steel sector alone, the state's share measured in terms of sales amounts to 80 percent, in aircraft 84 percent and in armaments 75 percent. In shipbuilding, the state's share is 17 percent, down to 5 percent in the heavy-engineering sector.

Of the budgeted total, the ailing steel industry will receive 5.75 billion francs, the electronics industry

2.75 billion and the chemicals sector

but surely returning to a sounder basis.

With a general decline in bank interest rates, a fresher approach to changing world markets and a revival of the world's major economies, French industry's investment patterns have also taken a turn for the better. Investment is officially forecast to rise by around 4 percent this year. While below the 9-percent increase of 1984, this marks a significant improvement on the negative or flat rates of preceding years.

But the turnaround is being achieved at a high cost, both in terms of state expenditure and jobs. Industry's work force has sunk from 4.6 million in 1981, when the Socialists took power, to less than 4.2 million today.

While French industry is sounder now than six years ago, the benefits of improved profitability and increased investments will take time to translate into more jobs, and France's voters next year may not give the present government the mandate it needs to see the course through.

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## Expanding Bourse In Need of Reforms

By Vivian Lewis

PARIS — The Paris stock market has flourished under the Socialist government, if only because the process from nationalization and the lack of other investment opportunities led investors to rush for the Bourse. And the markets, in turn, developed alternatives to investment certificates.

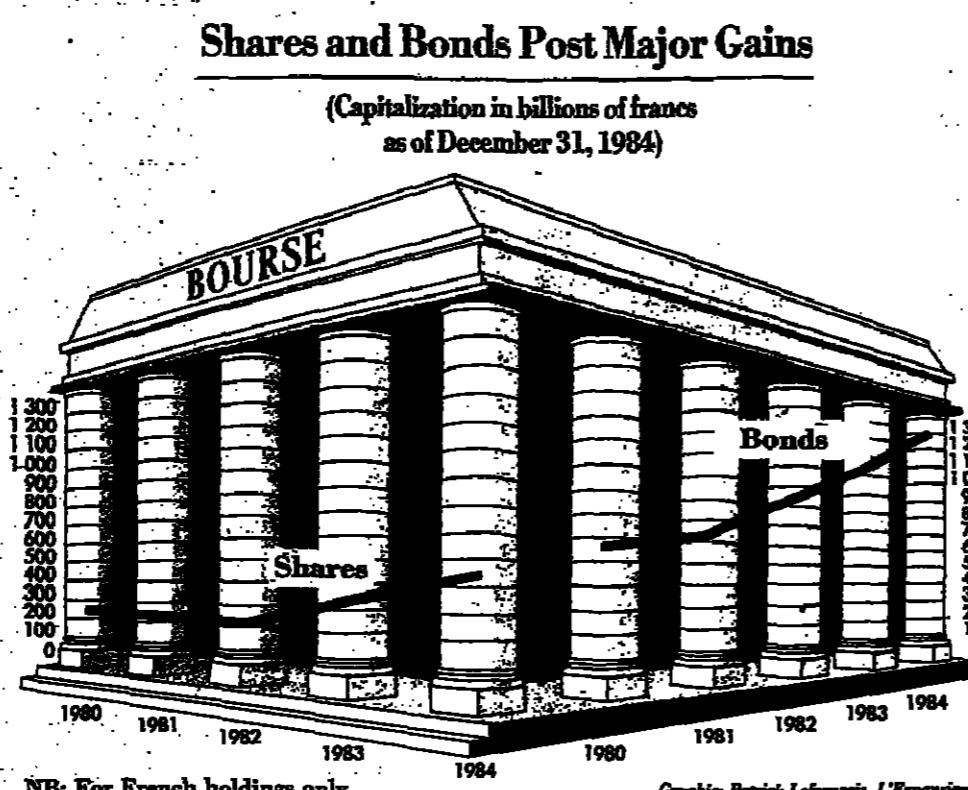
The possibilities range from Treasury mutual funds, which enable corporations to place short-term available funds at a high yield to share savings accounts, which bring tax advantages to private investors, to new instruments to raise capital for nationalized companies called participatory shares and investment certificates.

But the most important innovation since 1983 has been the arrival of a wholly new market for start-up companies, the "second market." Smaller, family-controlled companies are encouraged to issue shares in this market by reduced reporting requirements and the possibility of maintaining majority control in family hands.

The second market, after two years of operation, has grown to 72 listings, capitalized at the end of the year at 23 billion francs (a further 23 companies, capitalized at 3 billion francs, are quoted on regional French markets). Yet there are serious problems with the second market that have been noted by the Commission des Opérations de la Bourse, the French equivalent of the U.S. Securities and Exchange Commission.

With a new issue takes place (and particularly on the second market, where only a minority of shares are offered), demand vastly exceeds supply. Since new issues have tended to perform particularly well in the past, the rush to buy feeds on itself. In France, where brokers do not place shares with their customers or act as underwriters, the disparity in demand is hard to control.

French brokers, who since Napoleon have operated as a government-licensed monopoly, have attempted to control the share rush by setting ceilings on how much each bidder can seek to buy and by requiring that potential buyers put



Graphic: Patrick Lefèvre, *L'Expansion*.

The most important innovation since 1983 has been the arrival of a wholly new market for start-up companies, the "second market."

Bourse include the capacity of the small corps of brokers to handle new volumes.

A Paris institutional market for international investors will require much longer hours of trading and a greater capacity for market-making. (The Bourse operates only for two hours per day at present, just as most Frenchmen are eating lunch.)

The tiny bank of undercapitalized French brokers, the Compagnie des Agents de Change, who are civil servants by statute, will not be able to act as specialists or jobbers

For example, since last November, bond and shareholders in France have no more right to a certificate of ownership. All that remains is an electronic record in the computer of a legally acceptable intermediary body. French companies, meanwhile, have relatively incomplete corporate rolls, since most shares and bonds are held anonymously, *au porteur*, with acceptable intermediaries like banks and brokers sending out dividend or interest checks and notices of annual meetings. But now a system for keeping the corporate roll is being developed.

According to analysts at Crédit Commercial de France, addressing a seminar on high technology shares last month, "during these last two years, the Paris market has outperformed the major world stock markets on a total-return basis whatever the currency."

"Ironically enough," said Bertrand Petit of Crédit Commercial de France, "a danger cited often by foreign analysts is the potential downward pressure on the market in the event of denationalization" of French state-owned companies.

## Taking a Little Gamble On Value of the Franc

PARIS — The French government is taking a gamble on the franc — but not a big gamble. It appears to have ruled out a devaluation now, giving up the trade advantage of a cheaper franc.

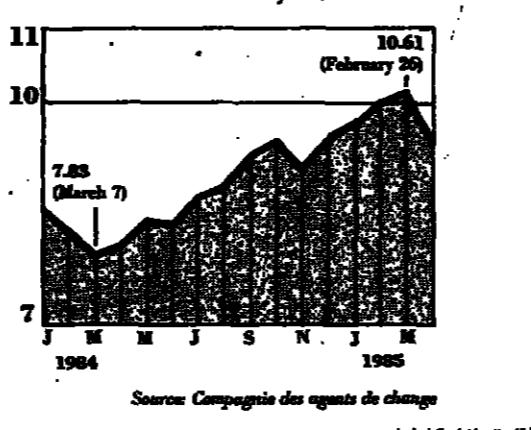
Devaluation could have been justified by the inflation-rate differential within the European Monetary System (6.4 percent in France against 2 percent in West Germany.)

French money planners have decided that they can live with the risk that the franc will be put under pressure if the dollar falls sharply against the European Monetary System's lead currency, the Deutsche mark. For the government of Prime Minister Laurent Fabius, a franc devaluation would be fatal if it occurred close to next year's National Assembly elections.

But there is another gamble that, in the view of French bankers, the government will not take. Despite minor liberalization moves, France still lives under exchange controls. To be sure, the Eurofranc bond market has been allowed to reopen with a bit more liberty, permitting foreign banks to become lead managers, and some issues in the composite European Community currency, the European Currency Unit, may now be sold to French

### Franc vs. the Dollar

The franc reached a high of 3.99 to the dollar on October 30, 1978, and a low of 10.61 on February 16, 1985.



other Frenchman to sell them. This is done by paying a premium, called the *devise-titre*.

Some of the effects of the anachronistic controls are irritating, some are perverse and some raise questions about the international role of the franc, even as part of the European Currency Unit.

French companies that have a foreign capital gain do what they can to avoid repatriating it to France and having it subject to restrictions against reinvestments abroad.

Thanks to the removal of withholding tax last autumn, foreign holders are attracted by the French bond market. But they cannot leave their interest earnings in France because of the administrative burdens on nonresident franc bank accounts.

Maurice Hua, general manager of the nationalized Société Générale bank, explains another adverse effect of the combination of *devise-titre* and exchange controls in a period when foreign investors are rushing to put funds into French stocks and bonds. "Frenchmen collectively are the only investors in the world who cannot arbitrage their holdings in francs and other currencies, who cannot add to their holdings in francs."

The result is considerable damage to French banks. French investors, banks and corporations are forced to operate offshore, denying France fees and commissions that otherwise would come to Paris. And French pretensions to make Paris a top financial market for shares or bonds, for commodities or reinsurance, for portfolio management or financial services, floundered at the exchange-control obstacle.

Because exchange controls keep the Eurofranc market from organic growth, the French system also spells trouble for the European Currency Unit, which the French government wants to build up as a reserve currency. The franc component makes up 19 percent of the unit and French interest rates have a bearing on interest rates of the ECU market, which is increasingly being used by borrowers and traders internationally.

VIVIAN LEWIS



Trading on the floor of the Paris Bourse.

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## Minister's Export Campaign Remains Dependent on State

PARIS — Last year, American radio audiences of the three major networks, plus local stations in Texas, California and New York, heard a woman's lightly accented French voice telling them: "My name is Edith Cresson. I am the French minister of foreign trade." France is more. More than fashion, wine and cheese. We have the fastest train in the world. We have launched, with success, a satellite. We are making software equipment for the future."

Shortly after her radio campaign, Mrs. Cresson added another portfolio to foreign trade, becoming the minister of industrial redeployment as well. But the problem of French exports she was trying to resolve with radio ads remains. In 1984, France again ran a trade deficit with the rest of the world, although lower than before: 19.8 billion francs, compared with 50 billion francs and 93 billion francs in 1983 and 1982, respectively.

Mrs. Cresson has ruled out tactics like those followed by President François Mitterrand's first foreign trade minister, Michel Jobert, who used

bureaucratic wiles to stop imports of Japanese video cassette recorders. Shipments of these recorders were diverted to Poitiers, in southwestern France, and processed through customs extremely slowly.

But Mrs. Cresson is quick to point out that "France is hardly alone in being accused of protectionism, and other countries like the United States use bureaucratic methods to delay or halt imports, too."

Figures issued by the Organization for Economic Cooperation and Development indicate that foreign manufactured goods sharply increased their share of French markets from 19.3 percent in 1970 to 36.7 percent in 1983. The Mitterrand government's slogan calls for "reconquest of the internal market" as well as a push to export more. French industrial investment has lagged behind that of its trading partners for a decade, as a result of which it has aging and uncompetitive plant and equipment.

Mrs. Cresson's remarks on radio about rockets

and trains and software programs are not merely advertising puffery. In fact, the French have major industrial achievements to boast about, including an economic and safe nuclear power system, which now provides 59 percent of all French electricity, leaving enough left over for sales to foreign power grids and giving France an edge in nuclear technology and equipment sales.

In telecommunication technology, late modernization of its national system has given France an international lead. Mrs. Cresson says that "the French network, which is 40 percent digitalized, is the world's most advanced."

Yet in each of these areas, the French lead comes from state-sector spending, by the government-owned railroads and power company, by the post-office-owned phone system, by the nationalized aerospace firm, Aérospatiale. Even in fiber optics, in microprocessor-equipped "smart cards," in chips, the public sector takes the lead, usually with government funding. The tradition goes back well before the Socialist government came to power in 1981.

As a committed Socialist, Mrs. Cresson does not object to the role of the government in the economy. And she is prepared to use state funds to help exports along, too, most recently by agreeing to provide 4.35 billion francs in export credits to China, 1.7 billion francs of it in the form of mixed credits, that is, with a below-market interest rate achieved by using grants in addition to credits.

"It is a question of helping the Chinese to pay us," Mrs. Cresson says.

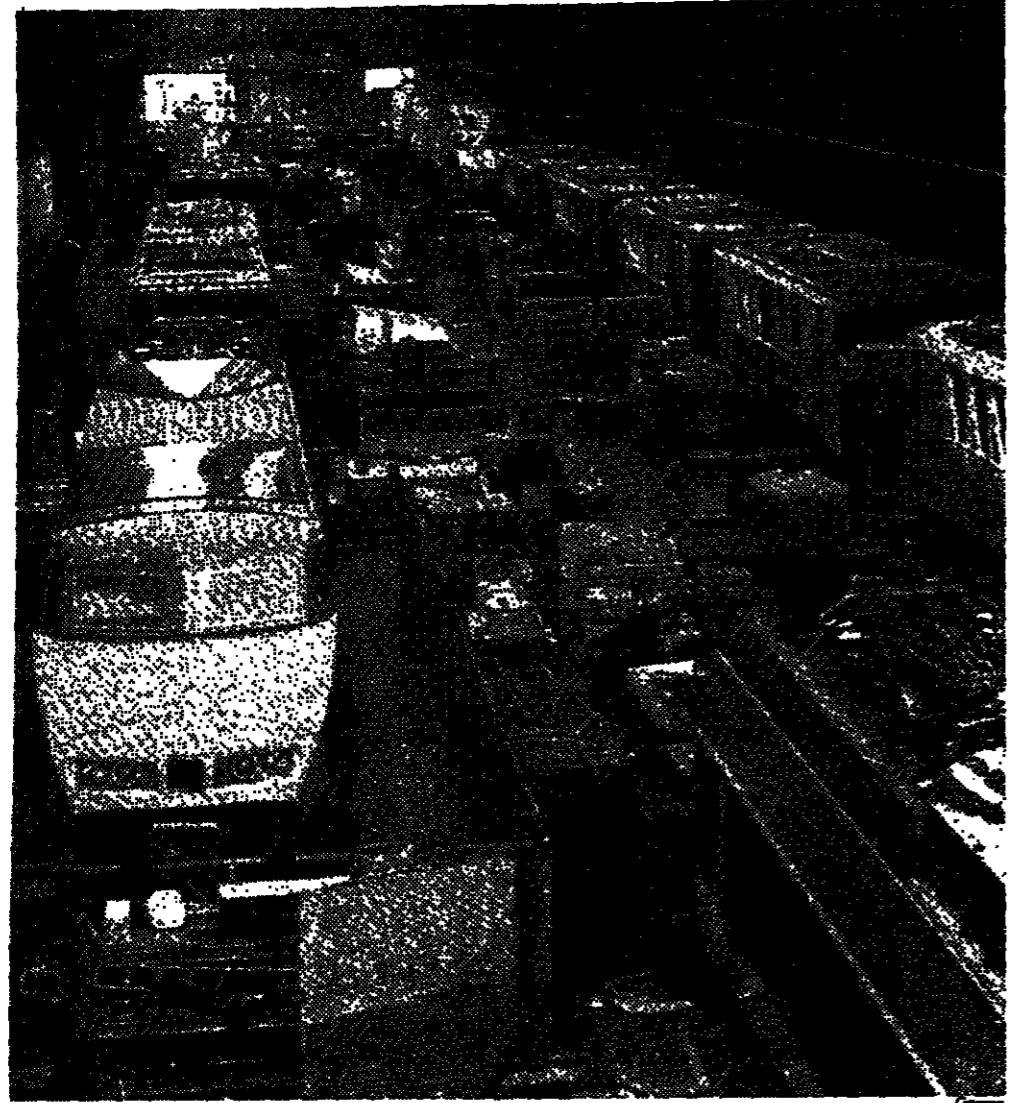
For the private sector, too, Mrs. Cresson sees a state role — with a difference. She sees herself as a force to rally and mobilize smaller private firms to incite them to export more.

In this role, Mrs. Cresson brings personal qualities of articulateness, in French or English, and energy. She is a professional statistician, who specialized in studies of farm demographics, which naturally led to her first Mitterrand ministry, agriculture.

— VIVIAN LEWIS



April, 1985: Mrs. Cresson in Beijing.



Building TGV power units at Alsthom-Atlantique's plant in Belfort. The firm is a subsidiary of the Compagnie Générale d'Électricité.

## Entrepreneurial Timidity Slows Technological Progress

By Amiel Kornel

PARIS — Despite a political climate favoring innovation, France's prospects for technological development continue to be clouded by innovators' entrepreneurial timidity and industry's slow move to modernize.

Nobody can doubt France's technological prowess. The success of many high-tech products and projects certify French mastery of leading-edge techniques. And the list of success stories is growing.

• In software, French companies placed third worldwide in 1984 with revenues of 15 billion francs. The industry created 15,000 jobs over the last five years while unemployment in other sectors continued to climb. The Ada computer language, developed by a Frenchman, was chosen by the U.S. Department of Defense as its software standard.

• In space and on the ground, French vehicles are successfully applying advanced technology. The Ariane rocket is giving the U.S. space shuttle a run for the money in the competition for the global satellite-launch market. The TGV, the high-speed train, and the Airbus jet are attracting worldwide attention for their astute design and able performance.

• In telecommunications, France has developed imaginative products, such as the "smart" debit card, and ambitious projects, such as the nationwide electronic phonebook. Small, easy-to-use computer terminals are being installed in every French home free of charge for the videotex application. The PTT-

financed Centre National d'Etudes des Télécommunications developed a digital telephone switching system that is being shipped throughout the world by French industry.

These successes represent a number around for French technology. France is conspicuously absent from other sectors such as semiconductors, computer hardware and consumer electronics due to a past lack of technological dynamism.

The government of President François Mitterrand adopted a science and technology policy in 1982 that committed significantly increased funds to research and development. Spending increased from 1.85 percent of the gross national product in 1980 to 2.22 percent, or 9.4 billion francs, in 1984. The government has also emphasized focal points of innovation or *filieres*, as well as the mobility of people and ideas in the research community.

Much of the national effort in electronics has passed via the telecommunications arm of the PTT. "If the PTT was able to give major support to certain activities, it's because it not only could finance projects but also orient needs," said Jean-Pierre Poitevin, director of

the Centre National d'Etudes des Télécommunications, the PTT research and development institution.

Government efforts to foster the growth of high technology and the modernization of industry during the last few years have spawned new business opportunities. "There has been an emboldening of prof-

Even when high-tech industry develops, economic modernization is not guaranteed. Experts point out the risks of emphasizing "showcase technology" that is not joined by a transfer of new techniques to traditional industries.

it," said Bernard Petit, financial services manager at the Crédit Commercial de France.

"The biggest change in France in the last two years is the promotion of enterprise," said Eric Adjoubé, high-tech analyst at Alan Patricof Associates, a venture-capital company. "Someone who has a good idea can find the money.... Two years ago, one couldn't find enough for large ventures. Or it would have

happened very differently, in the halways of a ministry."

"Innovators now have quite a favorable situation in France," said Jean Ichbiah, founder of Alys S.A. and creator of the Ada computer language.

But turning innovative technology into a motor for economic growth may prove more difficult

technological innovation without the creation of new companies. "We feel that the source and demand for modernization and innovation should come from the small and medium-sized companies," said Jean-Marie Poutrel, director of the technology forecasting section at the Bureau d'Informations et de Prévisions Économiques, BIPE, in Paris. "Large groups are less well placed to inspire innovation."

And even when high-tech industry develops, economic modernization is not guaranteed. Experts point out the risks of emphasizing "showcase technology" that is not joined by a transfer of new techniques to traditional industries.

For example, the agriculture and food-processing industry, traditionally strong in France, has been slow to adopt new techniques. "The problem in France," said Alain Chevallier, chief executive officer of the Moët-Hennessy group, "is that we always shut ourselves in with the idea that there are two kinds of industry: leading-edge and traditional.... If the agriculture and food-processing industry fell behind, it's because it was considered an industry of the second category."

## Government Prepares to Defend Its Record

(Continued From Page 7)

this is the only prudent approach," Mr. Fabius said, adding that the government would remain "vigilant" regarding a slight acceleration of consumer prices that began in March. The government's original goal was to bring inflation down to an annual rate of 4.5 percent this year from 7.6 percent in 1984. The prime minister indicated that this now looks difficult, adding that "we can do less than 6 percent."

Meanwhile, Industry Minister Edith Cresson has gone out of her way to praise successful industrial companies that are cutting their losses, such as Peugeot, France's largest private automaker. And Mr. Mitterrand, at this month's Bonn summit meeting of industrialized democracies, actively defended French firm interests by blocking the setting of a date for starting new world trade negotiations.

French leaders are now doing all they can to win the support of the widest range of economic power groups, even if they are traditionally on the right," commented a senior West European diplomat in Paris.

On the negative side, the French economy is gripped by very sluggish growth. In the most pessimistic scenarios to date, the government's national statistics institute last month projected that growth of gross domestic product this year would average only 1 percent with the dollar at 10 francs, and 1.5 percent with the dollar at 9.5 francs. That compares with a revised 1.6-percent growth of gross domestic product during 1984. Most private French forecasting groups and the U.S. Embassy in

Paris have predicted growth of well below 2 percent this year.

The institute's projections appear to rule out the government's attaining its 1985 goal of 2-percent growth of gross domestic product, which is the total value of a nation's goods and services, excluding income from foreign investments. Wharton's forecast, among others, does not project French growth exceeding 2 percent before 1987.

Although there was a slight drop in the unemployment rate during March, it is currently at about 10 percent of the work force and rising.

Some union leaders have predicted that the number of unemployed will reach three million next year, noting that young people are among those hardest hit. "This is the most difficult part of our restructuring program," Mr. Fabius said, emphasizing that "there also is social calm" in France.

Government strategists are assuming that workers will not strike major industries between now and the March elections, even though the Communist Party announced on May 15 that it would not participate in a coalition government with the Socialists after 1986 and said it would continue attacking the Socialists for being pro-business. The Communists withdrew from the government last August.

What is widely described as "new realism" among French workers explains much of the mood among the union rank-and-file. The number of man-days lost because of labor disputes fell from 2.2 million in 1982 to 1.3 million in 1983 and has continued to fall, a phenomenon widely touted by the government in promoting foreign investment in France. Will it last? Jean-Marie Pautrat, who was

leading a union protest march outside the Labor Ministry on May 10, said that "there are a lot of workers in this country, like myself, who are fed up with mystery and the Fabius rationale." A Marxist and member of the non-Communist Force Ouvrière union, he and several hundred colleagues were protesting the ministry's plan to start flexible hours in Social Security offices on a six-day basis, 7 A.M. to 8 P.M. "We want to negotiate, not be faced with a decree," he said.

"Millions of workers are unemployed, and with all the modernization we may have an upheaval here, similar to what happened during the general strike of 1936, and the CGT had hoped for.

Further encouragement for the government surfaced Friday with the announcement by the Labor Ministry that the number of unemployed had dropped in April for the second consecutive month.



A luxury goods store in Paris.

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### Banque de France

Paris, le 28 Mars 1985

Le gouverneur

Lettre à Monsieur Michel CHADESSUS, Gouverneur de la Banque de France à Montréal le Président de la République, Ottawa.

Habitez, je souhaiterai dégager à l'attention, nous nous sommes à l'heure le changement d'ambition pour les débats économiques. Dans la compétition de plus en plus entre deux pays, nous devons être à la hauteur de nos obligations.

— les besoins des entreprises ne sont pas faibles, mais il faut démontrer leur croissance et leur orientation.

— les comportements de l'économie sont déstabilisants, les placements — refuge contre la dépréciation monétaire — sont déstabilisants ou profit de l'investissement productif ou de l'énergie financière.

— nous savons que l'économie n'est pas en état de résister aux pressions de la demande intérieure et extérieure en dépit de l'effacement de la demande intérieure et extérieure.

— l'évolution de la production et de la rémunération des travailleurs dépend de l'effacement de la demande intérieure et extérieure.

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## Paris Basin Gives Hope to Oil Firms As Drilling Proceeds

By Nancy Beth Jackson and Charles D. Sherman

CHAMPS DE CHAUNOY — Under bright green fields of new wheat, 30 miles (48 kilometers) southeast of the Eiffel Tower, drilling rigs are tapping petroleum reserves in a vast saucer-shaped geological formation called the Paris Basin.

The area around Chaunoy, famed for its Brie cheese, has been nicknamed Dallas-en-Brie, and it promises to become France's top oil-producing region. Although significant quantities of oil began flowing out of the ground here less than two years ago, Paris Basin crude already amounts to one-third of French domestic oil production.

What excites international petroleum companies even more is that Chaunoy may be just the beginning of a French oil boom, the first since 1958 but now declining fields were discovered in Aquitaine 30 years ago.

By next year the Paris Basin may be producing more than one million metric tons of crude annually, French oil men say. The Aquitaine fields hit their peak in 1955 after a decade of operation, producing 2,355 million metric tons.

And even when high-technology development, economic recession and market glut have forced out the risks of exploration, the task of finding new oil fields has been transferred to a transfer of expertise to traditional oilmen.

For example, the oilmen of Esso, the American oil company that is the strength in France, are a welcome new technique to the French. Esso's chief executive, the French-born Michel Henrion, goes to the wells that there are in the Paris Basin and finds significant reserves.

At Chaunoy, Esso, the French subsidiary of the U.S. multinational Exxon, has made the largest strike so far, now pumping 350,000 metric tons a year. A company spokesman said Esso expected pro-

duction to rise to 500,000 tons by the end of the year.

Although far below Saudi or Texas yields, Paris Basin oil has injected new life into the ailing French petroleum industry, which over the past three years has closed refineries and cut staff because of stagnant consumption. The new oil means that France will be able to use its huge energy imports.

Domestic production accounts for only 3 percent of France's crude-oil needs. Last year, the French spent 145 million francs (about \$14.5 million) on oil imports, up from 66.1 billion francs in 1979. Nearly a quarter of France's total import bill last year went for energy supplies, the bulk of it being crude oil. The new fields may save France about 3 billion francs, a small figure for the country but significant for domestic energy producers.

Esso and others first prospected for oil in the Paris Basin in the early 1950s, but only a few attempts at extraction were made. A dozen deposits were discovered between 1958 and 1961, but production was minimal.

With the oil stocks of the 1970s and the introduction of new exploration and drilling technologies, interest in the Paris Basin rebounded. Today Elf Aquitaine, Total, Esso, Triton France, Shell, British Petroleum, Eurafrap and Petrofrep (which discovered the first deposits in the basin in Coulommiers in 1958) are the chief operators and permit holders in the region, which has become a checkerboard of oil exploration projects.

Esso's 100-percent ownership of the drilling permit at Chaunoy is an exception to the general rule that oil companies prefer to spread their risk in any particular site. British Petroleum, for example, holds interest in 16 permits in the Paris Basin, with participation



Drilling for oil in the Paris Basin.

ranging from about 15 to 50 percent.

"Given the amount of money it takes to explore the oil, we prefer to be involved in a larger number of projects," said Hubert Jacquot, head of BP France. The company and its various partners plan 10 exploration wells in the Paris Basin this year.

The pace of exploration is accelerating. According to studies by the Chambre Syndicale de la Recherche et de la Production de Pétrole et de Gaz Naturel, French soil under oil exploration has increased 60 percent since 1983. Of the 105 permits requested in 1984, 51 were for the Paris Basin and involved 62,000 square kilometers (23,576 square miles), or almost twice the territory of the rest of the permits. In constant franc terms, 2.4 billion francs were spent last year in exploration and development compared with 1.3 billion five years ago.

Esso's 24-hour-a-day production at Chaunoy has been chiefly responsible for the big jump in basin output figures. In 1983, the Paris Basin accounted for 338,000 metric tons; last year, the figure nearly doubled.

Output at Chaunoy and a Total-Triton project near Villeperdue, 54 miles east of Paris, have suggested that the basin's oil production could overtake the aging Aquitaine fields within the year.

Total and Elf, meanwhile, applied in March for permits to explore for petroleum under Paris itself. Triton, which had participated with Total in several fields, does not plan to share in the Paris drilling venture.

"It is too difficult to work in a city like Paris," says Erick Dabiz, Triton-France company secretary.

But Gilbert Pommier, who heads Total oil exploration, sees Paris as just another potential oil field. He says that from an oil exploration viewpoint, Paris is special only because it is one of the few squares on the checkerboard yet to be allotted to oil prospectors.

"It isn't a technical problem," he adds, pointing out that curved drilling techniques developed in offshore exploration would allow a well to be sunk, for example, in the St. Cloud Park to tap oil under the Eiffel Tower. New seismological techniques mean much of the prospecting among underlying rock could be done with little disruption. A geothermal energy project in Paris has already used the same techniques.

Environmental concerns have played little part in oil exploration anywhere in France. Though the French government controls all mineral rights in the country, communities like Chaunoy near the Chaunoy field benefit from royalties paid by Esso. Still to forestall any protests, Esso conducted a comprehensive information campaign among residents in the area.

The government, for its part, has actively encouraged companies to apply for permits and has offered an array of tax incentives to promote oil exploration. Over the last five years the country has been moving away from reliance on Middle East oil supplies. Today, its biggest suppliers are Britain's North Sea and Nigeria.

"As the government 'take' in France is so low, even very small fields are economically attractive," Triton's Mr. Brewer said.

France, whose aggressive nuclear energy program has made it an exporter of electricity, will never export oil, say French oil men. But here on the agricultural plains, with derricks from Esso and the Total-Triton group poking up only a few kilometers apart, a miniature oil rush is under way.

## GROUPE DES ASSURANCES NATIONALES

2, Rue Pilet-Wil, 75448 PARIS CEDEX 09.



The expansion of world-wide markets together with the growing internationalism of trade has led to an ever larger number of companies developing across national borders to take advantage of foreign markets.

French companies are no exception to this development. But, as a rule, more publicity has been given to the role played by the large corporations and banks whereas the equally important contribution of the small and medium-sized companies has been all too often overlooked.

The Insurance Industry must also play its part in the export of its know-how and must rise to the challenge of change in conjunction with the companies to whom it will bring its expertise and facilities.

This is the task which I have assigned to the GAN International Division and I have every confidence that this will be achieved with the support of all our group.

B. ATTALI  
President

## AN EXPANDING INTERNATIONAL PRESENCE

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## The Arms Market: Looking for New Group of Customers

By Joseph Fritchett

PARIS — As French arms exports reach new peaks, the Socialist government is trying to reorient its military-industrial policy to sell more weapons to advanced countries in place of the Arab countries that have been France's main market, which may be heading for a crash.

This policy reflects the hard thinking that has supplanted the previous disapproval of arms sales that the Socialists brought with them when they came to power four years ago.

Today, as President François Mitterrand himself said recently, the French government is committed to exporting arms heavily in order to protect the estimated 1 million jobs that depend, directly and indirectly, on the arms industry.

Coming article in Politique Étrangère, the French magazine, that arms sales acquired this importance in the early 1970s and have retained it ever since.

Throughout the 1970s, arms exports grew twice as fast as total exports, said Andrew J. Pierre in his book, "The Global Politics of Arms Sales."

As Mr. Pierre says: "French governments have got into the habit of boasting that they attach fewer strings or conditions on arms sales

— in fact, none — than other suppliers."

That has changed slightly, but only slightly, with the new figures.

François L. Heisbourg, until recently a Defense Ministry official and now an executive in the French defense industry, notes in a forthcoming article in Politique Étrangère, the French magazine, that arms sales acquired this importance in the early 1970s and have retained it ever since.

The sales figures in 1984 reached a record because of two major deals. One was the sale of an air-defense system to Saudi Arabia.

Consisting of missiles on tanks with sophisticated electronics from Thomson-CSF, the Saudi system cost 30 billion francs — half of France's total arms sales for the year. The second biggest deal was an order for Dassault's Mirage 2000 fighters from Abu Dhabi.

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In addition, Iraq has been a major customer during the Iran-Iraq war. More big sales in the region are under negotiation, including Mirage 2000s to Saudi Arabia and to Iraq.

But the question about all these Middle Eastern sales is whether the market will last and, indeed, whether it is today profitable.

In the Iraqi deals, for example, the payment terms are secret. Apparently, the most recent big package, in 1983, involved stretched-out payment schedules, French loans and cheap oil provided in barter — a good deal only on condition that Iraq does not lose the Gulf war.

The Mirage deal with Abu Dhabi also involved cheap oil for France, a deal of questionable profitability as oil prices drift lower.

A critic of this escalation in barter deals, analyst Anthony Sampson, notes in a recent issue of "The Sunday Times," that these exchanges of arms for oil are not only intensifying the arms race but also adding to the oil glut. The barter market, which offers especially large scope for high commissions, is "allowing the tail to wag the dog, leading both to a glut of planes and a glut of oil," Mr. Sampson wrote.

French officials, while refusing

to acknowledge the extent of barter involved in arms sales, nonetheless

recognize the risks of long-term overdependence on the Middle East market. France, therefore, has started energetically trying to find new markets in Europe and in the United States. More than just a new commercial campaign, this approach has important political and industrial overtones.

France suffered a spectacular setback in this market a decade ago, when Dassault's Mirage F-1 lost out to the U.S.-made F-16 in a sale to a European consortium.

To avoid similar failures, France has started mending its European fences. In the last 18 months

France has signed framework agreements for arms-development cooperation with almost all European countries, in NATO and outside it. And French officials and executives have become actively involved in the Independent European Program Group, a weapons-planning agency linked to the North Atlantic Treaty Organization.

The biggest arms market remains

the United States, and France's military field-communications system, Rita, is vying with the British system, Plessey, to become the standard U.S. system, a multi-billion-dollar sale.

In the long run, however, French

officials said, the U.S. market will only be accessible if European nations develop cooperative ventures in defense-manufacturing that pool their resources.

This kind of collaboration is essential, they said, to make European arms competitive and to give European sellers the combined political clout to overcome U.S. resistance.

Another factor favoring Europe

in a collaboration is the new technological challenge in weaponry.

A well-publicized example of this is the U.S. strategic defense initiative program, known as "star wars" — a defensive system for which a range of revolutionary technologies are being developed. This program, controversial in Europe, has done a lot, Mr. Heisbourg said, to "concentrate our minds in Europe" about looming technological challenges.

100 grams of uranium

= 1 ton of oil.



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## INTERNATIONAL BUSINESS/FINANCE

MONDAY, MAY 20, 1985

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## EUROBONDS

## After Fed Move on Rates, What's Ahead for Market?

By CARL GEWIRTZ

International Herald Tribune

PARIS — Weeks of nail biting about it and when the Federal Reserve would cut its discount rate ended last week. Late Friday, the Fed lopped half a point off the rate, putting it at 7½ percent, thus confirming its willingness to maneuver interest costs down. The news triggered a rush of late buying in the New York bond market, pushing prices up and yields down.

Trading was thin as the market had virtually closed by the time the news was flashed. Nevertheless, yields on three-month Treasury bills shed 15 basis points, or hundredths of a percent; six-month bills were down 10 basis points, and one-year paper declined 13 basis points.

The yield on the Treasury's belatedly 30-year bond dropped below 11 percent, confirming that a major rally in the bond market was under way.

Let the markets miss the double-barreled aim of the Fed — to stimulate a flagging U.S. economy as well as to nudge the value of the dollar lower — the Fed announced that "the action was taken against the background of relatively unchanged output for some time in the industrial sector of the economy, stemming heavily from rising imports and a strong dollar."

The foreign-exchange markets got the message. The dollar, which had traded at a high of 3,0910 Deutsche marks in New York on Friday, ended at 3,0510. The fall against the Swiss franc was from a daily high of 2,5980 to 2,5653 at the close; against the French franc, from 9,4275 to 9,32, and against the yen, from 251.50 to 250.40. The dollar also weakened against the British pound, which went from a low of \$1.2605 to \$1.2710.

The big question for the foreign-exchange market now is whether foreign central banks will use this occasion to reduce their own interest rates to more or less maintain the existing interest-rate differentials against the dollar or whether, by holding rates steady, the differential will be allowed to narrow.

Maintaining the differential (with short-term dollar rates about 3 percentage points higher than those on DM or Swiss francs, and 2 to 4 points lower than French franc or sterling rates, respectively) presumably would neutralize the impact on foreign-exchange markets.

West Germany, for example, which already enjoys a very low rate of inflation, presumably would be tempted to lower interest rates to stimulate sluggish economic growth. In contrast, a strengthened exchange rate against the dollar could be used by the French and British to dent their inflation rates.

For the dollar sector of the Eurobond market, the big question is: "Where to from here?" Does the rate cut simply justify the existing yield levels which were set in anticipation of the Fed's move, or is there reason to anticipate further substantial declines in coupons? Already over the weekend analysts were asking: If the declines in interest rates and the dollar's exchange rate succeed in reviving the U.S. economy, and possibly the pace of inflation, won't the next move by the Fed be to tighten policy?

The answer to the latter question ultimately depends on how meaningful a cut Congress makes in the federal budget deficit.

Meanwhile, in the immediate afterglow of the Fed move some analysts expect to see an effort made to drive coupons to single digits on five-year paper. Since 1979, there have been four efforts to achieve that goal and each aborted, leaving holders with big losses.

Investment bankers report there is a tremendous volume of corporate financing waiting to be done when the five-year rate drops to 10 percent, and they fear that clients' pressure for the lowest possible rate and banks' competition to win business will see an early testing of the single-digit level.

With the outlook on interest and exchange rates so uncertain, one issue launched last week was structured in a way to appeal both to dollar investors anticipating a decline in interest rates and to Europeans expecting a drop in the dollar. This was the \$450-million, zero-coupon, partially-paid issue for American Express Co.

American Express is raising \$600 million to finance lease payments on its new New York headquarters.

The zero-coupon issue will raise \$84.895 million as the 15-year bonds are being offered at 15.8656 percent of face value — meaning an investor is asked to pay \$188.656 to buy a security

(Continued on Page 15, Col. 1).

## Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes			
Money Rates			
United States			
Last Wk.	Prev. Wk.	Chg.	Chg. %
DJ Industrial 1,227.45 1,212.50 +14.95 +1.23%			
DJ Trans. 1,025.50 1,022.50 +3.00 +0.3%			
S & P 100 101.47 101.63 +0.16 +0.15%			
S & P 500 108.50 108.44 +0.06 +0.05%			
NYSE Co. 106.50 106.64 +0.14 +0.13%			
Source: Prudential/Bache Securities			
Brussels			
FTSE 100 1,227.45 1,212.50 +14.95 +1.23%			
FT 30 1,000.00 995.00 +25.00 +2.5%			
Hong Kong			
Hong Kong 1,647.00 1,613.00 +2.14% +0.14%			
Japan			
Nikkei DJ 12,479.50 12,522.30 -0.05% -0.04%			
Source: Commerzbank 1,244.50 1,244.50 +0.0%			
West Germany			
Commerce 1,244.50 1,244.50 +0.0%			
Source: James Capel & Co., London			

## Currency Rates

Cross Rates			
May 17			
U.S.	E.	D.M.	F.F.
American 1.624	1.622	121.24	310.65
Brussels 2.891	2.878	22.78	1.500
Frankfurt 2.862	2.859	1.500	1.500
London 0.0	0.0	2,472.00	725.00
Paris 1.602	1.600	100.00	55.00
Paris, F.C. 1.602	1.600	100.00	55.00
New York 1.602	1.600	100.00	55.00
Paris, G. 1.602	1.600	100.00	55.00
Paris, P. 1.602	1.600	100.00	55.00
Paris, P.C. 1.602	1.600	100.00	55.00
Paris, P.G. 1.602	1.600	100.00	55.00
Paris, P.P. 1.602	1.600	100.00	55.00
Paris, P.P.C. 1.602	1.600	100.00	55.00
Paris, P.P.G. 1.602	1.600	100.00	55.00
Paris, P.P.P. 1.602	1.600	100.00	55.00
Paris, P.P.P.C. 1.602	1.600	100.00	55.00
Paris, P.P.P.G. 1.602	1.600	100.00	55.00
Paris, P.P.P.P. 1.602	1.600	100.00	55.00
Paris, P.P.P.P.C. 1.602	1.600	100.00	55.00
Paris, P.P.P.P.G. 1.602	1.600	100.00	55.00
Paris, P.P.P.P.P. 1.602	1.600	100.00	55.00
Paris, P.P.P.P.P.C. 1.602	1.600	100.00	55.00
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Paris, P.P.P.P.P.G. 1.602	1.600	100.00	55.00
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Paris, P.P.P.P.P.P. 1.602	1.600	100.00	55.00
Paris, P.P.P.P.P.C. 1.602	1.600	100.00	55.00
Paris, P.P.P.P.P.G. 1.602	1.600	100.00	



## New Eurobond Issues

Issuer	Amount (millions)	Mot.	Coupl.	Price %	Price and week	Terms
<b>PRICING RATE NOTES</b>						
Avista	\$70	1995	%	100	99.84	Over 6-month Libor. Noncallable. Fees 0.20%. Denominations \$10,000.
Klemwirt Benson Lonsdale	\$100	perpet	%	100	99.47	Over 6-month Libor. Callable at par in 1990. Fees 0.25%. Denominations \$10,000.
National Westminster Bank	\$500	perpet	%	100	99.53	Over 6-month Libor. Callable at par in 1990. Fees 0.675%. Denominations \$10,000. Coupon payment dates Jan. and July.
National Westminster Bank	\$500	perpet	%	100	99.50	Over 6-month Libor. Callable at par in 1990. Fees 0.675%. Denominations \$10,000. Coupon payment dates Feb. and Aug.
Sweden	\$750	2000	3/16	100	99.72	Over 6-month Libl. Callable at par in 1988. Fees 0.30%. Denominations \$10,000.
Korea Exchange Bank	\$50	1995	%	100	—	Over 3-month Libor. Callable at par in 1990 and redeemable at par in 1992. Fees 1.55%.
<b>FIXED-COUPON</b>						
American Express	\$150	2000	11 1/2	100	97.75	Callable at 102 in 1996. Setting fund to start in 1997 to produce a 14-year average life. 30% paid on subscription and balance in Dec.
American Express	\$450	2000	zero	18.866	18.61	Yield 11.26%. Noncallable. Proceeds \$64.9 million. 23.85% paid on subscription and balance in Dec.
Australia	\$200	1995	17	100	99.63	Noncallable.
Australia	\$100	2000	11 1/2	100	99.63	Callable at 102 in 1995.
Bank of Tokyo	\$100	1995	11 1/2	101 1/2	100.00	Noncallable.
Citicorp	\$150	1995	11 1/2	100	—	Callable at par in 1990. Increased from \$100 million.
DFC Finance Overseas	\$100	1995	11	100	—	Noncallable.
General Motors Acceptance Corp.	\$200	1989	10 1/2	100	98.13	Noncallable.
Southern California Edison	\$100	1992	11	100	98.25	Callable at 101 in 1990.
Swedish Export Credit	\$500	1992	10	95	94.25	Noncallable. \$100 million issued now and balance reserved for 5% per year.
Tenneco	\$150	1995	10 1/2	100	98.38	Redeemable at par in 1990.
Chenier & Co.	DM 80	1995	7 1/2	100	100.00	Callable at 102 in 1991.
World Bank	DM 200	1991	7 1/2	99.94	99.13	Noncallable private placement.
BACOB Finance	ECU 28.5	1993	9 1/2	100	99.75	Noncallable.
Council of Europe Resettlement Fund	ECU 45	1992	9 1/2	99.94	99.63	Noncallable. Increased from 40 million ecus.
Council of Europe Resettlement Fund	ECU 30	1995	9 1/2	100	100.13	Noncallable. Increased from 20 million ecus.
Konsalis Osalo Pondo	ECU 50	1992	9 1/2	100	99.13	Noncallable.
World Bank	ECU 50	1995	9 1/2	100	100.13	Callable at 101 in 1991.
Loblaw Companies	CS 50	1992	11 1/2	100	98.00	Noncallable.
F Van Lanschot Bankiers	DF 50	1990	7 1/2	99 1/2	—	Noncallable.
Australia & New Zealand Banking	Aus 40	1992	13 1/2	100	—	Noncallable.
Rural Banking Finance Corp.	NZ\$ 25	1990	16 1/2	100	—	Noncallable.
Rhone Poulen	FF 450	1991	11 1/2	100	98.75	Noncallable.
World Bank	DK 200	1992	11 1/2	100	100.75	Noncallable.
Scandinavian Airline Systems	NK 250	1993	10 1/2	100	—	Noncallable. Increased from 200 million Norwegian kroner.
<b>EQUITY-LINKED</b>						
American General	\$300	2000	6 1/2	100	—	Redeemable at 119 1/4 in 1990 to yield 10.03%. Convertible at 21.8% premium.
Canon	\$100	2000	3	100	—	Semiannual. Callable at 104 in 1988. Convertible at 1.30% per year share and at 250.50 yen per dollar.
Casio Computer	\$100	2000	open	100	98.50	Coupon indicated at 3%. Callable at 104 in 1988. Convertible at an expected 5% premium. Terms to be set May 20.
Ryobi	\$30	1990	open	100	99.00	Coupon indicated at 84%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 295% premium. Terms to be set May 20.

## Euromarket in Aftermath of Rate Cut

(Continued from Page 13)

that will be redeemed for \$1,000 at maturity. This low purchase price is attractive to investors who see interest rates declining. For an actual cash outlay of \$1,000—the normal cost to buy one bond—they can buy five American Express bonds and make big profits if rates do decline and the price of the bonds rises.

At the same time, purchasers are required to put up immediately \$23,8529 percent of the price—or \$45—and the remainder on Dec. 12. This means non-dollar investors can profit from any decline in the value of the dollar between now and mid-December.

The effective yield investors can on the zero is about equal to what American Express is paying to raise \$151 million in a more classically structured 15-year bond bearing a coupon of 11 1/2 percent.

If the full purchase price of the zero were put up now, the yield over the 15 years to final maturity would be equivalent to 11.36 percent. If the full price were paid in December, the 15-year yield would be equal to 11.76 percent.

Although the 11 1/2s also are par-

ially paid—30 percent cash outlay on subscription and the remainder in December—there was considerably less leverage than on the zero and this was reflected in the trading price. The 11 1/2s ended the week at a discount of 2 1/4 points while the zero traded at a modest premium.

Anticipation that rates were coming down was also reflected in the lengthening of maturities. Australia tapped the market for \$300 million, offering \$100 million of 15-year, 11 1/2-percent bonds and \$200 million of 10-year bonds bearing a coupon of 11 percent. Bank of Tokyo Ltd., Development Finance Corp. of New Zealand and Tenetec Inc. also tapped the 10-year market.

Until now, maturities of 10 years or longer have been rarities. Most dollar issues this year have been in the five-to-seven year range.

In the floating-rate market, National Westminster Bank PLC and Klemwirt, Benson Ltd. issued undated paper which, to be counted as primary capital, are effectively preferred shares rather than debt securities. The high coupons on these perpitals relative to what

normal FRNs bear has made them extremely popular.

However, taking into account the lower standing of this paper—interest can be suspended if dividends are omitted or the capital wiped out if the banks are put into liquidation—Standard & Poor's has rated these perpitals two degrees lower than the rating applied to unsubordinated debt. This came as shock to the market when it was announced that the perpetual for Midland Bank PLC—the weakest of the clearing banks—was awarded a triple-B rating, the lowest for paper considered to be of investment grade.

National Westminster split its \$1-billion offering in two parts which are identical except for semi-annual interest payment dates—January-July and February-August.

NatWest, taking advantage of the great demand, set its coupon at 9-point over the average of the bid-offered interbank rates whereas the other British banks have used the offered rate. The switch means a 1/16-point cut in interest as normally there is a 1/4-point split between the two rates.

Klemwirt's \$100-million offering was less well received despite its carrying the highest coupon of any British perpital yet—1 1/4-point over Libor. Many investors complained that a merchant bank is too big a risk for a perpital and the size of the issue too small to assure continual liquidity.

For the most part, non-dollar investors shunned new purchases of dollar securities. The favored investment vehicle is the European Currency Unit. Interest on ECU bonds is almost 2 percentage points higher than on Deutsche mark paper and 1/4-point higher than on German securities. Investors consider that the interest differential adequately compensates for the risk of a currency realignment within the European Monetary System which would see the ECU devalued against the mark and guilder.

The DM sector scored a first last week with international banks invited to syndicate a domestic issue of 80 million DM for Chenier & Co., a unit of the federal railway. This was the first foreign participation in the domestic market.

On Friday, quality concerns arising from the Maryland savings and loan crisis and a trading halt in the mortgage-backed securities market contributed to a dramatic decline of 21 to 45 basis points in Treasury bills.

In the corporate market, new issue yields were 25-38 basis points lower. The \$2.4 billion of new corporate bonds that came to market sold well and many were quoted at premiums in early secondary trading.

The trading range for the long-

## Commercial Paper Issue Set by Canada Trade Agency

By Carl Gewirtz

International Herald Tribune

PARIS—The Euronote market

## Tough Calls for the Fed

(Continued from Page 13)

slowed from the remarkable 8.5 percent rate of expansion in the first half of 1984 and there is much evidence from industrial production, unemployment and productivity figures to support those who think it is fast running out of steam.

"You're going to get some miserable statistics for the month of April," asserted John C. Maher, vice president of Citicorp Information Services. "We're a bit concerned."

But others, pointing to such encouraging figures as strong housing starts, soaring automobile sales and continued hefty military orders, argue that the economy is doing considerably better than the meager 1.3-percent reported rate of first-quarter growth would suggest.

Complicating the assessment of future policy is the increasing importance of the highly volatile foreign trade sector. Imports, for example, jumped \$9.6 billion in the first three months of 1985, and some presumably temporary oil-price increases, inflation remains subdued, which enables the Fed to relax its monetary grip a bit.

These, then, are among the issues that the 12 voting members of the FOMC will be weighing when they gather Tuesday in their cavernous board room.

The rapid American recovery, high interest rates and the favorable overall investment climate in the United States have attracted huge sums of foreign capital that have been a boon to the Treasury's financing efforts. And Mr. Volcker has predicted the inflow, which is equal to about half the federal budget deficit, will increase in 1985.

So while the Fed would like to see the dollar decline further to benefit U.S. agricultural and other exporters and preserve manufacturing jobs being lost to the tide of imports, it also knows that a severe decline could add substantially to inflation and interest rates.

The dollar problem, in fact, is so serious that Stephen Morris, an analyst with the Institute for International Economics, has concluded that there is no way for U.S. policy makers to avoid an economic "hard landing."

He argued last week that without major, and he believes unlikely, policy changes by both the United States and its allies, the basic disequilibrium of the dollar will cause it to plummet by more than 40 percent over the next few years, to a level beneath its 1980 low.

This would result in a financial market crunch, raising interest rates five points above what they otherwise would have been.

Investment bankers believe that this method of marketing is the wave of the future. They believe that the Bank of England's measures forcing commercial banks to take account of underwriting commitments and the expressed concern by other central banks about these off-balance-sheet commitments of banks will lead to a total separation of the marketing of short-term paper from the back-up lines of credit provided by commercial banks.

That separation should result in more realistic pricing on the credit lines, investment bankers say.

Post-och Kreditbanken of Sweden also announced plans to issue up to \$250 million of Eurocommercial paper through Citicorp, Merrill Lynch & Co. and PK Christina Bank. The three will act as dealers, providing PKbanken with bids on paper with maturities ranging from one week to 12 months.

In the Euronote market, Borden Inc., the U.S. food-products company, is seeking a \$175-million, five-year facility that can be extended annually provided all the underwriters are agreed. Banks providing the back-up credit will receive an annual fee of 10 basis points and are obliged to provide funds, if notes cannot be sold at a lower cost, at a maximum rate of interest of 20 basis points over Libor.

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Avon Products Inc., the U.S. cosmetics maker and distributor, has completed a \$130-million, eight-year note facility paying underwriters an annual fee of 12.5 basis points. Drawings from the banks will cost the company 1/4-point over Libor.

Republic New York Corp., the holding company of Republic National Bank of New York, is seeking a \$100-million, five-year note facility. It will pay underwriters an annual fee of 7.5 basis points; drawings from the banks will cost 1/4-point over Libor for as much as \$33.3 million and 1/4-point over Libor for more than that.

Cigna Corp., the U.S. insurance company, is raising \$300 million in a three-year facility for which it will pay underwriters an annual 10 basis points. Drawings from the banks will cost 1/4-point over Libor for as much as half the amount and 20 basis points for more than that.

The continued appeal of such facilities was best demonstrated last week by the increase in Deere & Co.'s facility to \$1.3 billion from the initially indicated \$600 million. This now ranks as the largest facility yet arranged, topping the \$1.2 billion put together for Beatrice Cos. Deere is paying an annual underwriting fee of 15 basis points for the first three years, 17.5 for the final two years. Maximum interest on the notes is set at 22.5 basis points over Libor.

In Asia, Thai Farmers Bank Ltd. in Bangkok has asked banks to submit bids for terms on a \$30-million, five-year Euronote facility.

In the syndicated credit market, banks advised Electricité de France that it could increase its 10-year multipurpose facility to \$900 million from the \$400 million initially sought.

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CO-OPERATIVE BANK P.L.C.  
US \$25,000,000  
Floating Rate Capital Notes 1986  
Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from May 20, 1985 to November 20, 1985 the Notes will carry an interest rate of 8 1/4% per annum. On 20th November, 1985 interest of U.S. \$ will be due per U.S. \$30,000 Note for Coupon No. 1.  
European Banking Company Limited (Agent Bank)  
London & Continental Bankers Limited Agent Bank

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

NEW ISSUE

May 16, 1985

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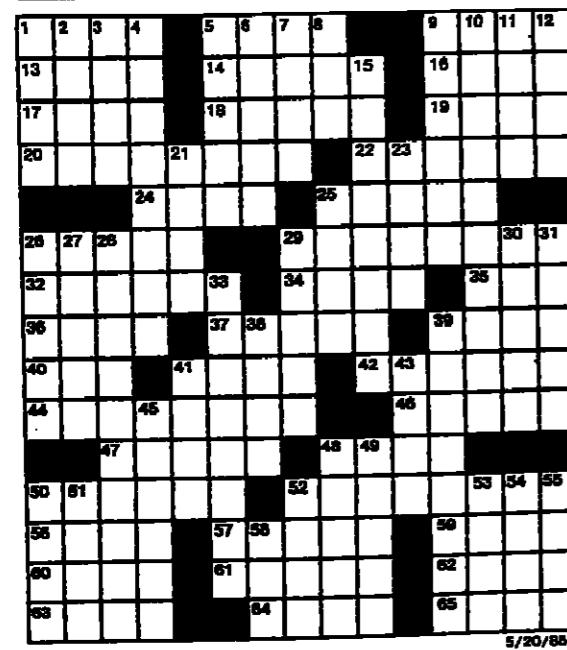
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**NASDAQ National Market**

# Chicago Exchange Options

**For the Week Ending May 17, 1985**





## PEANUTS



## BLONDIE



## BEETLE BAILEY



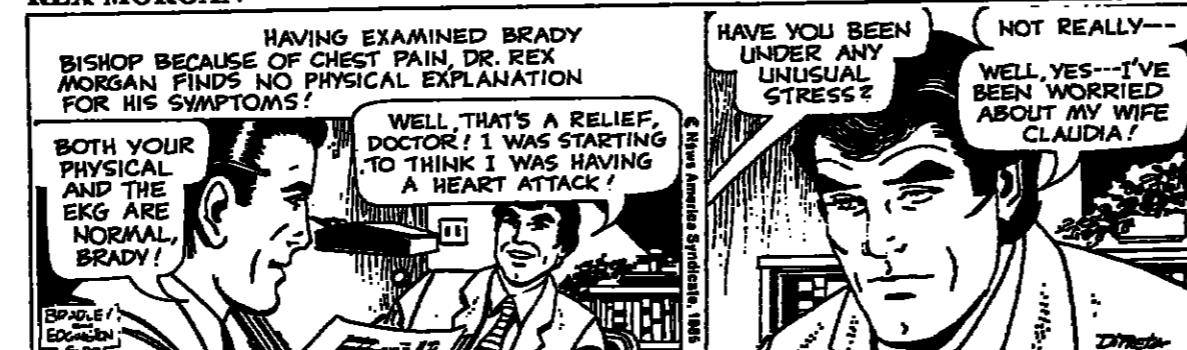
## ANDY CAPP



## WIZARD OF ID



## REX MORGAN



## GARFIELD



## SPORTS BRIEFS

## Pavin Leads, Records Fall in U.S. Golf

FORT WORTH, Texas (Combined Wires) — Records continued to fall Saturday at the Colonial Country Club, as Corey Pavin increased his lead to five shots over 54 holes in the Colonial National Invitation Tournament.

Pavin carded a 2-under-par 68 to match the course record of 198 over 54 holes going into Sunday's final round. Billy Glasson shot a 64 that put him into a tie for second at 203 with Scott Hoch and Bob Murphy. With the course tamed by the lack of winds, Pavin set a record Friday of 130 for two rounds and Saturday Joey Simelar carded a Colonial record of 62.

In Le Touquet, France, meanwhile, Nathaniel Crosby, the former U.S. amateur champion, was disqualified Saturday from the GSI Open's third round on the Sea Golf Course, because he and his partner, Bill Longmire of Britain, had failed to notice that they had been given each other's cards.

## Prost Wins Grand Prix

The Associated Press

MONTE CARLO — France's Alain Prost, in a McLaren-TAG-Porsche, won his second straight Monaco Grand Prix on Sunday in a superb battle with Michele Alboreto of Italy in a Ferrari.

The victory in the 43rd race round the streets of Prince Rainier's tiny state was the 18th of Prost's career, and he is responding like the Parker who dominated the National League from 1975 to 1979.

Parker collected three hits, including a home run, Friday night to lead the Reds to a 6-3 victory over the team that had him in his heyday, the Pittsburgh Pirates.

"I am swinging the bat very well right now," Parker said. "I'm just riding the waves. When things go well for you, you take advantage of them."

Parker's two-run homer came off reliever Rod Scurry in the seventh inning, and gave him 23 RBI in his last 15 games. He is batting .367 in his last 24 games and has raised his season average to .333.

"Last year, he had two strikes on me and he showed he was going to throw me a curveball," Parker said of Scurry. "He struck me out with it. I wasn't angry, but prior to to-night's game I was talking to him in the clubhouse and I told him if I ever hit one off him, I'm going to have a nice slow trot."

"It's just friendly competition between ex-teammates," he continued. "There was no malice intended. We don't have any problems."

Pete Rose, the Reds' player-manager, had two hits, giving him 4,126 and 66 shy of breaking Ty Cobb's major-league career record.

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His chance came on lap 30 when

Alboreto pitted to change both left sides, damaged by the debris of the accident, and resumed in third.

## Reds' Parker Haunts Pirates

United Press International

PITTSBURGH — The time machine exists in the minds of inventors and in the Cincinnati Reds' clubhouse. The Reds won their second straight Dave Parker into right field, and he is responding like the Parker who dominated the National League from 1975 to 1979.

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Cincinnati took a 1-0 lead in the fourth. Los Angeles pitcher Jose DeLeon walked, winning pitcher John Stuper with the bases loaded, forcing home Alan Knicely.

## BOOKS

## REASONS TO LIVE

By Amy Hempel. 129 pages. \$11.95. Alfred A. Knopf, 201 E. 40th St., New York, N.Y. 10022.

Reviewed by Michiko Kakurani

Making jokes, for Hempel's characters, is one way of coping with life, and even though their humor is often defensive — a way of mocking themselves as well as others — their laughter can also be redemptive. Hempel's tart, witty wit meshes incongruously but neatly, like a well-cut jigsaw-puzzle piece, with her gift for empathy, and with her pointed sense of the grotesque (the body at the bottom of the scenic overlook point, the bloodstain on the freshly vacuumed rug, the late arrival of flowers sent by someone who has died). Held together in the bubbly matrix of the author's narrow, conversational prose, these qualities announce not only the presence of a sharply defined sensibility, but also that rarer thing — a distinctive and finely tuned literary voice.

There are moments when that voice falters. Such slight stories as "The Man in Bogies," "Celia Is Back" and "When It's Human" stand out as odd, contrived fragments of overheard dinner-table conversation, awkward and unprofitably stretched out into narratives. And Hempel's efforts to evoke a particular kind of California malaise (its symptoms include thinking about earthquakes and fault-lines, and driving the highways, aimlessly, at night) can sound like dull, tunny echoes of Joan Didion.

For Hempel, as for Didion, the landscape of Southern California, with its parking garages, fake Spanish colonial condominiums and fast-food joints, provides the perfect backdrop for her characters' alienated lives. "We live the beach life," says a character in "Tonight is a Favor to Holly," and by that she means not the life with "sunscreen and resort wear," but the easy, buoyant life of living by the ocean — sitting around languorously in the sun, waiting for something — anything — to happen.

Some of Hempel's people are car accident victims. Some are recovering from abortions or the death of someone they loved. Most are suffering from a more insidious spiritual affliction that makes them feel boring and inert. Everyone she knows, says one narrator, falls into one of two categories: "those who are going under, and those who aren't moving ahead." The one thing that these characters do is move — and with great frequency — is move from apartment to apartment, town to town; but this only accentuates their feelings of disconnectedness. Because they are disaffected, these people feel like doing nothing, and because they do nothing, they feel even more disaffected. It is, to say the least, a vicious circle.

Solution to Friday's Puzzle

BALL	BELL	TRET
ALAMO	OLEO	RIVA
JOHNDENVER	OTIS	
APR DANE	ROYALS	
DIS ROALD		
ESTATES DIDOVER		
DOILY CAEN		
URAL CANOE		
CERA ARON		
ERASURE STRUDEL		
GLESS ROE		
AZORES AATIC SRO		
CITE SAMHOUSTON		
TOTE ELSE SHALE		
ANON DEAN EYES		

In the end, each of them does find some reason to go on, if not to climb out of despair. Sometimes, it's a question of tricking themselves into not feeling scared: one woman, to get to sleep after her husband's death, takes to sleeping in her bed so that "the empty bed I look at is my own." Others try to find substitutes for the love or security they lack in their lives. They talk to their pets and skip quarters into phony evangelist shrines. Like methadone users, they get by, for the time being, with substitutes for what they really need.

Michiko Kakurani is on the staff of The New York Times.

## BRIDGE

By Alan Truscott

ON the diagramed deal, South played skillfully to bring home a slam. He reached six spades because he and North used "control-showing" responses.

The two-club response, like the two-club opening, was artificial. It showed three controls, counting an ace as two and a king as one. The five-club bid was not a normal cue bid, but instead showed a need for some club strength in the South hand.

A heart lead would have defeated six spades, and did so in the replay. But West led a trump, a slight indication that he held honors in the side suits that he did not wish to compromise. South now worked out a plan that would bring

home the slam against almost any normal distribution of the club suit.

He drew trumps, ending in his hand, and led the club seven. When West played low, he played low from dummy and found he had won the trick.

Holding the lead in the closed hand was important, for he was now able to heart finesse. He was in no hurry for the second heart finesse, which was postponed until the 12th trick. By that time the queen appeared from West, who had been forced to guard clubs.

Two points should be noted about South's safety-play in the club suit. Barring a 5-0 break, it would only have failed if East had begun with a singleton ten. And it would not have helped West to cover the seven with the ten, for south

would have won with the king and led the three to the eight.

That would provide four club tricks for West if West took the queen, and a necessary entry for the first heart play if he did not.

NORTH  
♦AQJ32  
♦AJ32  
♦Q32  
♦K2  
WEST  
♦72  
♦Q52  
♦3952  
♦QJD62  
EAST  
♦K98765432  
♦A874  
Both sides were vulnerable. The bidding:  
East Pass  
West Pass  
Pass  
Pass  
Pass  
Pass  
Pass  
Pass  
West led the spade two.

White Sox 4, Rangers 2.

In Chicago, Carlton Fisk hit a three-run fourth-inning homer and Rich Dotson and Bob James pitched a seven-hitter to lead the White Sox past Texas and spoil Bobby Valentine's managerial debut. It was the seventh straight loss for the Rangers, who have the worst record in the league.

Twins 7, Blue Jays 6.

In Minneapolis, Tom Brunansky hit a 10th-inning home run to lead the Twins to victory. In the ninth, Jody Davis hit a two-run single, helping Chicago score three runs and rally past the Blue Jays.

Expos 2, Padres 1.

In Montreal, Andre Dawson went 2-for-4, including a home run, and drove in three runs to help St. Louis triumph.

Cardinals 8, Astros 6.

In Houston, Jack Clark went 2-for-4, including a home run, and drove in three runs to help the Astros.

Royals 3, Brewers 0.

In Milwaukee, Bret Saberhagen pitched a two-hitter and Jim Sundberg got three hits, helping Kansas City win. The triumph was the Royals' sixth straight. Saberhagen faced the minimum 27 batters and did not allow a Brewer to reach second base.

Pirates 10, Dodgers 5.

In Philadelphia, Von Hayes and Samual delivered two-run homers and Ozzy Virgil recorded four hits in helping beat Los Angeles.

Orioles 11, Mariners 3.

In the American League, in Seattle, Fritz Connally hit his second home run — and second grand slam — of the season to cap a six-run first inning that gave Baltimore its victory and a share of first place with Toronto in the East Division. Eddie Murray and Cal Ripken hit two-run home runs for Baltimore, which leads the American League in home runs.

Tigers 10, A's 2.

In Oakland, California, Darrell Evans hit a three-run homer and an RBI single and scored three runs to lead Detroit to victory. Evans has hit three home runs and driven in seven runs in his last three games.

## WEATHER

cloudy: lo-foggy: R-foggy: h-hail: o-overcast: sc-sunny: cloudy: r-rain:

sc-showers: s-snow: st-stormy: NA-not Available:

Answer: A

Answer: WEIGH BEGUN PLENTY BUREAU

Answer: How some frank people make their point BY BEING BLUNT

## LATIN AMERICA

HIGH LOW  
C F C F

INDIANAPOLIS (AP) — Raul Boesel of Brazil and John Paul Jr., both rookies

driven, led seven qualifiers Saturday as the tentative 33-car field, the fastest in the history of auto racing, was filled for next Sunday's Indianapolis 500.

Boesel, 27, averaged 206.498 mph (335.172 kilometers per hour) over four laps.

Paul, in his third and last qualifying attempt of the month, qualified with a time of 206.340. Chip Ganassi, Johnny Parsons, George Snider and Tony Bettenhausen

and rookie Jim Crawford of Scotland were the other qualifiers.

The average for the 33 qualified cars was 207.830 mph, breaking the Indy mark of

203.686 set last May and the all-time racing record of 204.669, set by a 24-car Indy car field last September at Michigan International Speedway.</p

## SPORTS

## Tank's Prospect Takes Preakness

### Sets Track Mark in Edging Favorite

Compiled by Our Staff From Dispatches

**BALTIMORE** — Tank's Prospect, who moved too soon in the Kentucky Derby two weeks ago and faded to finish seventh, moved at just the right moment Saturday, snatching victory from Chief's Crown at the wire to win the 110th Preakness Stakes by a head in the track-record time of 1:53 2/5 for a mile and three-sixteenths.

Chief's Crown, the even-money favorite, had appeared to be a certain winner nearing the wire, 2 1/4 lengths in front of Etemal Prince.

Tank's Prospect, the son of Mr. Prospector and the Pretense mare Pumpkin Moonshine, was bought as a yearling for \$625,000 by Edward V. Klein.

The Emerald track was much slower Saturday than a year ago, when Gate Dancer ran one-fifth of a second slower to set the previous mark, suggesting that this was an exceptionally good race for both of the first two finishers.

Last Nov. 10 in the Breeders' Cup Juvenile, Tank's Prospect fell three-quarters of a length short of catching Chief's Crown at a one-mile distance, and that race stamped them as the two best colts of their age. They may have regained that distinction Saturday, despite the absence of Spend a Buck, the Kentucky Derby winner.

Spend a Buck was held out of the Preakness in favor of the May 27 Jersey Derby at Garden State Park. A victory in that race would bring him a \$2.6-million payday.

Both Klein and Lukas said the Jersey Derby may also be on Tank's Prospect's schedule, as is the Belmont Stakes on June 8, the final leg of the Triple Crown.

Another early incident delayed Tank's Prospect. Pat Day, the jockey, said his left foot came out of the stirrup early in the race when he was bumped by I Am The Game.

"It took me another sixteenth of a mile to get it back in," he said.

"We were a little farther back than I liked, but he made it up. I wasn't sure I could catch him but, at the eighth pole, I felt better. Every jump I was closing ground on

Chief's Crown."

Day, who whipped Tank's Prospect left-handed through the stretch, said, "I used the stick a lot."

But added that the trainer, D. Wayne Lukas, had "told me to ride

him hard. He said this horse can take some abuse when he's ready."

"I heard it was a two-horse match race," said Lukas, who sent out Codex to win this race in 1980.

"This is as good as any horse in America right now. He was second in the Breeders' Cup and he was

third in the Arkansas Derby."

Tank's Prospect paid \$11.40 for

\$2 to win as the third choice in a field of 11 three-year-olds. The purse was a Preakness record of \$545,700.

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## LANGUAGE

## Sentence Non-Starters

By William Safire  
WASHINGTON — There is an inclination among weak writers to use *there* at the beginning of sentences. Compare that "profound *there*" plop to this vigorous alternative: "Weak writers are inclined to use *there* at the beginning of sentences."

Ab, you say, what about Shakespeare's "There is a tide in the affairs of men . . . ?" Face it: even the Bard had his bad days. If he had a chance, Shakespeare would pick up the phone to the rewrite desk and say: "Hello, Rewrite? I want to change Brutus's line that begins *There is a tide in A tide exists*. No, hold on, make that *Great tides appear*. . . . Yes, same imbiber pentamer."

Rewrite would say: "But how about the *there* in Hamlet's 'Ay, there's the rub!' That *there* sounds pretty strong to me." Shakespeare would then patiently point out to Rewrite that *there*, when meaning a place or an intensifier for *that*, is a powerful word. Moreover, when used to mean "thither" or "you" (as in "Cassius over there has a lean and hungry look"), *there* has its place. And when meant as *or to* or *at that point*, it serves a real purpose. But when used in writing as a "function" word for writers reluctant to bite into the subject, *there* is a sign of weakness, irresolution and pusillanimity.

The linking verb that follows the lazy writer's pronominal impersonal is also weak, too: sentences that start *There is* stagger to the starting line. Compare the wimpy *There are a couple of reasons I like to hide behind 'there is'* . . . to the forceful *The reasons I reject 'there is' include*.

Another way not to start a sentence is with a conjunction. Conjunctions like *and*, *but* and *because* are intended to join thoughts or to subordinate one idea to another, but when used to start sentences, these conjunctions usually produce a sloppy or choppy effect.

In starting sentences, you should watch out for *but*, a word that starts a withdrawal from a position. Inside a sentence, where it belongs, but is not as specific as *except*, but is a stronger contradiction than *however*. If you want to contradict sharply, use *but* in the same sentence — "She's an intellectual but I like her" — and if you want to slide

off a flat statement, introducing a qualification out of fairness or secund thought, use *however* after a semicolon or at the start of a new sentence: "She's an intellectual. However, I like her."

Not every language authority agrees with me on this mild approval of *However* to start a sentence, however. "Strunk and White discourage the use of *however* as a conjunctive adverb at the beginning of a sentence," writes Leslie Brisman, a professor of English at Yale, "allowing it when it is an adverb meaning 'no matter how' and many of my colleagues continue to correct this in our students' writing, but the number of grammar handbooks demonizing the *however* in the initial position makes us wonder whether there is any ground for continuing to insist on this matter of form."

No grounds; forget it. However many purists insist that the only time *however* may be used to start a sentence is demonstrated at the start of this sentence, the fact is that such a requirement is outdated. However, don't use *however* when you mean *in spite of*, which is tougher than the broad spectrum but. If you mean "I know all that, and I am not persuaded" and really want to separate yourself from all that have gone before, you can do much better than *however*. Try *despite*, or if the spite turns you off, use the fast-disappearing *nevertheless*. You can begin a sentence, even a paragraph, with *Nevertheless*; it will have more punch than a paragraph beginning with *However*.

(You are the only one reading this paragraph; everyone else skipped it because *however-graphs* are for timorous State Department speechwriters. Tough speechwriters at State come right out with *On the other hand*.)

We will now rewrite the next-to-last sentence to show how simpering it is to use *Because* at the start. Here's the revision: "Why are you the only one reading this paragraph? Because everyone else skipped it . . . ?" That use of *Because* at the start creates a sentence fragment and is not as effective as "Why are you the only one reading this paragraph? The reason is that everyone else . . . ?"

Treat your readers to action up front. New York Times Service

## Making Maple Syrup in Vermont

By Charles Hillinger  
*Los Angeles Times Service*

WATSFIELD, Vermont — Kathryn Palmer, 75, and her 78-year-old husband, Everett, have been in their sugarhouse every day for the past six weeks from sunup to sundown.

"You've got to get up and at it, and go boil the sap as fast as you can the same day it's gathered. That's what makes good syrup," Mrs. Palmer said.

The Palmers have been making maple syrup all 54 years of their married life. It's hard work. "It gets in your system. We both love to do it," Mr. Palmer said.

Spring is sugaring time in Vermont, where age-old methods of tapping trees and evaporating sap persist to the delight of pancake lovers the world over. Maple syrup is a \$13-million-a-year industry in Vermont, which is the leading maple syrup state in the United States, accounting for more than one-third of U.S. production.

Four young workers collect sap each day from 5-gallon (19-liter) buckets hanging on 2,800 tree trunks at the Palmers' Sugar Bush maple tree orchard. They boil the sap in the wood-fired evaporator in the sugarhouse.

Mrs. Palmer tends to the boiling, siphoning off the syrup at the precise moment. Mr. Palmer hauls logs into the blazing evaporator throughout the day. They keep it at 10 to 12 hours a day.

The Palmers produce 700 to 800 gallons of maple syrup a year. This year they are charging \$21 a gallon. They sell cans and jugs of syrup to nearby stores and ship the product to customers as far away as Alaska, Hawaii and West Germany.

Palmer Maple Syrup Co. is one of about 3,000 maple syrup companies in Vermont, all but a handful of them small family operations.

Inside the sugarhouses, maple makers boil the colorless sap. The sap looks and tastes like water, with no hint of sweet, maple syrup flavor. It drops from spigots placed in holes drilled into the trees. Most trees have one tap, some two and a few three.

Sugar maple tree sap is 97.5 percent water, 2.5 percent syrup. It takes 40 gallons of sap to make



John McElroy/Los Angeles Times

Miles of tubing feed sap into tanks in large-scale maple-syrup operation.

one gallon of amber-colored, 100-percent maple syrup. An average tree yields enough sap each season to produce one quart of syrup. It takes about 40 years before a maple tree begins to produce enough sap to have commercial value.

"This will be a banner year for maple syrup," predicted Everett Willard, 63, of the state Agricultural Department. The state's official syrup expert, he is affectionately called "Mr. Maple Syrup" by syrup producers in Vermont.

"Prices are up 15 percent to 20 percent over last year," Willard said. Reasons for the increase include a bigger effort than usual by the state and producers to promote maple syrup this year.

"And, people in general throughout the country are buying more and more natural foods," he added.

Vermont produced 530,000 gallons of maple syrup in 1984. New York state was a distant second with 332,000 gallons. Other syrup-producing states are timorous State Department speechwriters. Tough speechwriters at State come right out with *On the other hand*.)

Marvin uses fat oil, not wood, to heat the evaporator in his sugarhouse. With his production he says, it would take 140 cords of wood and six men to keep the fire going all season.

"Making maple syrup is a joy we look forward to each year," said Arthur Packard Jr., 58, as he tossed logs into his sugarhouse evaporator and his wife, Emily, checked the boiling syrup for viscosity.

"Sure, it's long hours and hard work. It takes me two months just to cut 50 cords of wood in preparation for sugaring. Then it's 12 hours a day for a six-week nonstop stretch in the sugarhouse. But it's something we've grown accustomed to. We've been doing this since we were kids."

Outside critics agree. "The number of excellent singers from Bulgaria is astonishingly high compared to other countries," said Heinz Tomek, music writer of the Austria Press Agency in Vienna.

Music composers differ on what might have made this southern Balkan nation of 10 million people a breeding ground for first-rate voices. Donev's predecessor, Russian Raichev, son of the renowned tenor Peter Raichev, once

said it was the mild climate. Donev emphasized the high standard of Sofia's music academy. Even before World War II, teachers at the academy had developed a system that produced international favorites such as Ljubica Weitsch and Todor Mazarov.

Most opera houses spend fortunes luring top singers from other countries, but the National Opera has become a springboard for local talent headed abroad.

Nicolai Ghiaurov, a star bass now living in Italy, and the soprano Anna Tomova-Sintow, who has taken Austrian citizenship, have starred on stages around the world.

Dozens of others have made their way — sometimes from remote Bulgarian towns — to Sofia and on to La Scala in Milan, the Metropolitan Opera in New York or the Vienna State Opera.

Prominent singers belong to a small elite of Bulgarians permitted — and encouraged — to go abroad. Traveling to the West is an enormous problem for most Bulgarians, not only because of the shortage of hard cash but because of government restrictions. Singers performing on foreign opera stages are required to share their foreign earnings with the government, as do Soviet artists or Czechoslovak tennis stars and soccer players in other East-bloc countries.

Svetozar Donev, artistic director of the National Opera, proudly portrays his house as a music center and an international exchange of singers with a lopsided give-and-take pattern.

"Bulgaria and the Sofia opera do not make any problems for our singers to go and sing abroad," Donev said in an interview in his sparsely furnished office. "It may sound rudely boastful as a comparison, but while countries like Italy and France produce good cars and airplanes, Bulgaria produces good singers."

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## BULGARIA POSTCARD

## The Opera Connection

By Roland Prinz  
*The Associated Press*

SOFIA — At a time when top bass voices are rare elsewhere in the world, Bulgaria's National Opera boasts 18 in its company of about 70 members. Many, however, sing primarily in the West.

Most opera houses spend fortunes luring top singers from other countries, but the National Opera has become a springboard for local talent headed abroad.

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Another way not to start a sentence is with a conjunction. Conjunctions like *and*, *but* and *because* are intended to join thoughts or to subordinate one idea to another, but when used to start sentences, these conjunctions usually produce a sloppy or choppy effect.

In starting sentences, you should watch out for *but*, a word that starts a withdrawal from a position. Inside a sentence, where it belongs, but is not as specific as *except*, but is a stronger contradiction than *however*. If you want to contradict sharply, use *but* in the same sentence — "She's an intellectual but I like her" — and if you want to slide

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